



# California

Forms & Instructions

# 3807

## 2000

Local Agency Military Base  
Recovery Area Business Booklet

**This booklet contains:**

**Form FTB 3807**, Local Agency Military Base Recovery Area  
Deduction and Credit Summary

Members of the Franchise Tax Board

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STATE OF CALIFORNIA  
**FRANCHISE TAX BOARD**

# Instructions for Local Agency Military Base Recovery Area Businesses — Form FTB 3807

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1998**, and to the California Revenue and Taxation Code (R&TC).

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## What's New

### Local Agency Military Base Recovery Area (LAMBRA) Designations

The following areas received final designation from the California Trade and Commerce Agency (TCA) in 2000:

- San Bernardino International Airport (formerly known as Norton Air Force Base) on April 1, 2000;
  - Alameda Point (formerly known as Alameda Naval Air Station) on June 1, 2000; and
  - Mather Field and McClellan Park in Rancho Cordova and Sacramento on July 1, 2000.
- Accordingly, any costs paid or incurred on or after the designation date, by businesses operating in these LAMBRA's may qualify for the LAMBRA tax incentives.

### Income vs. Taxable

Effective for years beginning on or after January 1, 2000, references to "income year" were replaced with "taxable year" in all provisions of the Bank and Corporation Law (B&CTL), the Administration of the Franchise and Income Tax Law (AFITL), and the Personal Income Tax Law (PITL). Therefore, all forms and instructions have been revised to replace the term "income year" with "taxable year." When referring to an income measurement period beginning before

January 1, 2000, the term "taxable year" should be interpreted to mean "income year" as that term applied for those periods prior to January 1, 2000.

## General Information

California has established four types of economic development areas (EDAs) that have similar tax incentives:

- Enterprise Zones;
- Local Agency Military Base Recovery Areas (LAMBRA's);
- Manufacturing Enhancement Areas (MEAs); and
- The Targeted Tax Area (TTA).

A business may qualify for special deductions and credits if it operates or invests in a trade or business located within the geographic boundaries of one of these EDAs.

California statutes require the Franchise Tax Board (FTB) to provide information to the California Legislature and the TCA regarding the number of businesses using the EDA tax incentives, types of EDA tax incentives being used, and the EDAs in which the businesses are claiming the tax incentives.

**Note:** To help us meet this requirement, please complete items A through J on form FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary, as applicable.

For information about:

- Enterprise zone tax incentives, get FTB 3805Z, Enterprise Zone Business Booklet;
- The MEA hiring credit, get FTB 3808, Manufacturing Enhancement Area Business Booklet; or
- TTA tax incentives, get FTB 3809, Targeted Tax Area Business Booklet.

**Conformity.** In general, California tax law conforms to the Internal Revenue Code (IRC) as of January 1, 1998. However, there are continuing differences between California and federal tax law. California has not conformed to most of the changes made to the IRC by the federal Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 (Public Law 105-206) and has not conformed to any of the changes made by the Tax and Trade Relief Extension Act of 1998 (Public Law 105-277), the Miscellaneous Trade and Technical Corrections Act of 1999 (Public Law 106-36), and the Ticket to Work and Work Incentives Improvement Act of 1999 (Public Law 106-170).

**Principal Business Activity.** The Codes for Principal Business Activity (PBA) are based on the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 1997 Edition. Accordingly, the PBA and

NAICS codes are used for purposes of business classification.

## A Local Agency Military Base Recovery Areas

LAMBRA's are established to stimulate growth and development in areas that experience military base closures. Businesses operating within a LAMBRA or located within a LAMBRA, may qualify for special tax incentives.

## B Purpose

Use this booklet to determine the correct amount of deductions and credits that the business may claim for operating or investing in a trade or business within a LAMBRA. Complete the worksheets in this booklet for each deduction or credit for which the business is eligible. Then enter the total deductions and credits on form FTB 3807.

## C How to Claim Deductions and Credits

To claim any LAMBRA deduction or credit, the business **must attach** form FTB 3807 (included in this booklet) to its California tax return.

**Attach a separate form FTB 3807 for each business you operate or invest in that is located within a LAMBRA.**

To assist with the processing of the tax return, indicate that the business operates or invests within a LAMBRA by doing the following:

**Form 540 and Form 540NR filers:** Write "LAMBRA" in the top left margin of Form 540 or Form 540NR, Side 1.

**Form 100 filers:** Claim LAMBRA tax incentives on Form 100, line 14, line 20, and line 24 through line 27, as applicable.

**Form 100S filers:** Claim LAMBRA tax incentives on Form 100S, line 12, line 19, and line 23 through line 26, as applicable.

**Form 100W filers:** Claim LAMBRA tax incentives on Form 100W, line 14, line 20, and line 24 through line 27, as applicable.

**Form 109 filers:** Check the "Yes" box for the enterprise zone, LARZ, LAMBRA, MEA, or TTA question G on the top of Form 109, Side 1.

**Note:** Keep all completed worksheets and supporting documents for your records.

**Net Increase in Jobs Requirement** – To qualify for the LAMBRA tax incentives, a business must have a net increase of one or more jobs within the first two taxable years of commencing business within the LAMBRA.

**Note:** Taxpayers engaged in operations within a LAMBRA are allowed to utilize the designated LAMBRA tax incentives beginning in the first year of operation in the LAMBRA even though they have not yet fulfilled the net increase in jobs requirement. However, if after the end of the second taxable year of operations within the LAMBRA a taxpayer does not fulfill the net increase in jobs requirement, all LAMBRA tax incentives claimed in prior years must be recaptured.

The net increase in jobs is computed on form FTB 3807. See page 20 for the instructions on how to compute the increase.

## D LAMBRA Designation

The TCA is authorized to designate LAMBRA's. The TCA has designated the following LAMBRA's with the following designation and expiration dates:

|   |                 |
|---|-----------------|
| Southern California International Airport |                 |
| Designation Date                          | Expiration Date |
| 2/1/1996                                  | 1/31/2004       |

|                       |                 |
|-----------------------|-----------------|
| Castle Air Force Base |                 |
| Designation Date      | Expiration Date |
| 6/1/1996              | 5/31/2004       |

|                        |                 |
|------------------------|-----------------|
| Mare Island Naval Base |                 |
| Designation Date       | Expiration Date |
| 1/1/1999               | 12/31/2006      |

|   |                 |
|---|-----------------|
| San Bernardino International Airport and Trade Center |                 |
| Designation Date                                      | Expiration Date |
| 4/1/2000  | 3/31/2008       |

|                           |                 |
|---------------------------|-----------------|
| Alameda Naval Air Station |                 |
| Designation Date          | Expiration Date |
| 6/1/2000                  | 5/31/2008       |

|                             |                 |
|-----------------------------|-----------------|
| Mather Field/McClellan Park |                 |
| Designation Date            | Expiration Date |
| 7/1/2000                    | 6/30/2008       |

At the time this booklet went to press, Tustin Marine Corps Air Station in Tustin had only received a conditional designation.

For information about the designation of an area, write, call, or fax the TCA at:

ENTERPRISE ZONE UNIT  
CA TRADE AND COMMERCE AGENCY  
801 K STREET SUITE 1700  
SACRAMENTO CA 95814

Telephone: (916) 327-2236

Fax: (916) 322-7214

Website: [www.commerce.ca.gov](http://www.commerce.ca.gov)

If your business is located totally within a LAMBRA, within and outside a LAMBRA, or in more than one LAMBRA, see Part IV on page 10 for instructions on how to apportion income.

## E Forms Table

The titles of forms referred to in this booklet are:

|                     |   |
|---------------------|---|
| Form 100            | California Corporation Franchise or Income Tax Return                         |
| Form 100S           | California S Corporation Franchise or Income Tax Return                       |
| Form 100W           | California Corporation Franchise or Income Tax Return – Water's-Edge Filers   |
| Form 109            | California Exempt Organization Business Income Tax Return                     |
| Form 540            | California Resident Income Tax Return   |
| Form 540NR          | California Nonresident or Part-Year Resident Income Tax Return                |
| Form 541            | California Fiduciary Income Tax Return  |
| Form 565            | Partnership Return of Income  |
| Form 568            | Limited Liability Company Return of Income                                    |
| Schedule CA (540)   | California Adjustments — Residents  |
| Schedule CA (540NR) | California Adjustments — Nonresidents or Part-Year Residents                  |
| Schedule P          | Alternative Minimum Tax and Credit Limitations                                |
| Schedule R          | Apportionment and Allocation of Income  |
| FTB Pub. 1061       | Guidelines for Corporations filing a Combined Report S Corporation Tax Credit |
| Schedule C (100S)   | Shareholder's Share of Income, Deductions, Credits, etc.                      |
| Schedule K-1 (100S) | Beneficiary's share of Income, Deductions, Credits, etc.                      |
| Schedule K-1 (541)  | Partner's Share of Income, Deductions, Credits, etc.                          |
| Schedule K-1 (565)  | Member's Share of Income, Deductions, Credits, etc.                           |
| Schedule K-1 (568)  | Member's Share of Income, Deductions, Credits, etc.                           |

## Part I Hiring Credit

Employers conducting a trade or business within a LAMBRA may claim the hiring credit for a qualified employee.

### Qualified Employee

A qualified employee is an employee who:

- Was hired after the LAMBRA received its final designation (see General Information D, LAMBRA Designation);
- Spends at least 90% of work time for the qualified employer on activities directly related to the conduct of a trade or business located within the LAMBRA; and
- Performs at least 50% of the work for the qualified employer within the boundaries of the LAMBRA.

For taxable years beginning on or after January 1, 1999, a qualified employee must be:

- A civilian or military employee of a base or former base who has been displaced as a result of a federal base closure act; or
- Anyone who immediately before starting work for the employer was any of the following:

1. A person who has been determined eligible for services under the federal Job Training Partnership Act (JTPA);
2. A person eligible to be a voluntary or mandatory registrant under the Greater Avenues for Independence Act of 1985 (GAIN);
3. An economically disadvantaged individual 16 years of age or older;
4. A qualified dislocated worker;
5. An individual who is enrolled in or has completed a state rehabilitation plan;
6. A service-connected disabled veteran;
7. A veteran of the Vietnam era;
8. A veteran who recently separated from military service;
9. An ex-offender;
10. A person who is a recipient of:
  - Federal Supplemental Security Income (SSI) benefits;
  - Aid to Families with Dependent Children (AFDC);
  - Food stamps; or
  - State and local general assistance; or
11. A Native American.

### Qualified Wages

Qualified wages means the wages paid or incurred by the business during the taxable year to a qualified employee. The wages must be paid or incurred on or after the designation date.

Wages that qualify for the hiring credit are those wages paid to a qualified employee for the consecutive 60-month period beginning on the first date the employee commenced employment with the employer. For an employer that operates a business that has regularly occurring seasonal or intermittent employment decreases and increases, reemployment of an employee does not constitute commencement of employment for the qualified wages test.

The qualified wages are the smaller of:

- The actual hourly rate paid or incurred by the business for work performed by the employee during the taxable year; or
- **150% of the minimum hourly wage** established by the Industrial Welfare Commission.

Where the California minimum wage is higher than the federal minimum wage, the California minimum wage is used for purposes of computing the LAMBRA hiring credit. The established minimum wage after March 1, 1998, is \$5.75 per hour. Effective January 1, 2001, the minimum wage will increase by \$.50. The new minimum wage will be \$6.25 per hour. For purposes of computing the LAMBRA hiring credit, 150% of the minimum wage is \$8.62 per hour (\$9.37 beginning January 1, 2001).

### Example:

Ray Smith was hired January 1, 2000.

Ray's hourly rate for Month 1 was \$7.00. At the beginning of Month 2, his hourly rate

increased to \$8.00. For Month 3, Ray's hourly rate increased to \$9.00. The hourly rate that qualifies for the credit is limited to 150% of the minimum wage, or currently \$8.62 per hour.

| Month(s) | Hours per month | x | Hourly rate | = Qualified wages per month |
|----------|-----------------|---|-------------|-----------------------------|
| 1        | 175             |   | \$7.00      | \$1,225.00                  |
| 2        | 170             |   | 8.00        | \$1,360.00                  |
| 3        | 170             |   | 8.62        | \$1,465.40                  |

#### Credit Limitations

- The cumulative qualified wages used to compute the credit cannot exceed \$2,000,000. The limit applies to **each** taxpayer for **each** taxable year.
- The amount of hiring credit claimed may not exceed the amount of tax on LAMBRA business income in any year. Use Worksheet VI on Side 2 of form FTB 3807 to compute the credit limitation.
- Any unused credit may be carried over and applied against the tax imposed on LAMBRA business income in future years until exhausted.
- The business must reduce any deduction for wages by the amount of this credit.
- In the case where the business is qualified to take the LAMBRA hiring credit as well as another credit (e.g., enterprise zone, MEA, or TTA hiring credit) for the same wage expense, the business may only claim one credit.
- S corporations are allowed only 1/3 of the LAMBRA hiring credit by operation of law.
- S corporations must reduce their wage deduction by 1/3 of the amount on Worksheet I, Section A, line 4. Make the wage deduction adjustment on Form 100S, line 7. In addition, the S corporation must make an adjustment for the entire amount of the credit on Schedule K (100S), line 1, column (c).

**Example:** In 2000, an S corporation qualified for a \$3,000 LAMBRA hiring credit. The S corporation can claim a credit for \$1,000 and must reduce its wage deduction by \$1,000 (\$3,000 X 1/3) on Form 100S, line 7. On Form 100S, Schedule K, line 1, column (c), the S corporation would add \$3,000 to the S corporation's ordinary income or loss to reflect the credit passed through to the shareholder(s).

For additional information about the treatment of credits for S corporations, see Part VI on page 18.

#### Record Keeping

Retain a copy of Form TCA EZ1 to substantiate an individual's eligibility as a "qualified employee." In addition, for each qualified employee, keep a schedule for the first 60 months of employment showing (at least):

- Employee's name;
- Date the employee was hired;
- Number of hours the employee worked for each month of employment;

- Smaller of the hourly rate of pay for each month of employment or 150% of the minimum wage;
- Total qualified wages per month for each month of employment;
- Records of any other federal or state subsidies you may have received for hiring the qualified employee; and
- Location of the employee's job site and duties performed.

## Instructions for Worksheet I — Hiring Credit & Recapture

### Section A – Credit Computation

**Line 1, column (a)** – Enter the name of each qualified employee. Attach additional schedule(s) if necessary.

**Line 1, column (b) through column (f)** – Enter the qualified wages paid or incurred during the taxable year to each qualified employee listed in column (a) in the appropriate column.

**Line 2, column (b) through column (f)** – Add the amount of qualified wages in each column.

**Line 3, column (b) through column (f)** – Multiply the total in each column of line 2 by the percentage in each column.

**Line 5** – The federal jobs tax credit to include on this line is the Work Opportunity Tax Credit (currently, this line will equal zero, since California conforms to the IRC as of 1/1/98).

**Note:** No other California jobs tax credit may be claimed for the same wage expense paid to the employees shown in line 1, column (a).

**Line 6** – Enter the amount from line 6 on form FTB 3807, Side 2, Worksheet VI, as follows:

- Part II, line 8B, column (b) for corporations, individuals, and estates and trusts;
- Part III, line 10, column (b) for S corporations; or
- Part IV, line 12, column (b) for corporations and S corporations subject to paying only the minimum franchise tax.

### Section B – Credit Recapture

The employer must recapture the amount of credit attributable to an employee's wages if the employer terminates an employee at any time during the longer of:

- The first 270 days of employment (whether or not consecutive); or
- 90 days of employment plus 270 calendar days.

For employers of seasonal employees, the employer must recapture the amount of credit attributable to a seasonal employee's wages if the employer terminates the employment before the completion of 270 days of employment during the 60-month period beginning the day the employee commences employment with the employer.

A "day of employment" means any day for which the employee receives wage compensa-

tion (including a paid sick day, holiday, or vacation day).

The employer must add to the current year's tax the amount of credit claimed in the year of termination and all prior years in which the credit was claimed for the terminated employee.

**Note:** The credit recapture does not apply if the termination of employment was:

- Voluntary on the part of the employee;
- In response to misconduct of the employee;
- Caused by the employee becoming disabled (unless the employee was able to return to work and the employer did not offer to reemploy the individual);
- Carried out so that other qualified individuals could be hired, creating a net increase in both the number of qualified employees and their hours worked; or
- Due to a substantial reduction in the employer's trade or business operations.

This credit is also subject to recapture if the net increase in jobs requirement is not met. See the instructions for form FTB 3807, Part I, Net Increase in Jobs, on page 20.

**Line 1, column (a)** – Enter the name of the terminated employee. Attach additional schedule(s) if necessary.

**Line 1, column (b)** – Enter the amount of credit recapture for each employee listed in column (a).

**Line 2** – Enter the amount from line 2, column (b) on form FTB 3807, Side 1, line 6.

Also include the amount of hiring credit recapture on your California tax return or schedule as follows:

- Form 100, Schedule J, line 5;
- Form 100S, Schedule J, line 5 and Schedule K-1 (100S), line 23;
- Form 100W, Schedule J, line 5;
- Form 109, Schedule K, line 4;
- Form 540, line 36;
- Form 540NR, line 45;
- Form 541, line 21b and Schedule K-1 (541), line 11e;
- Form 565, Schedule K, line 22 and Schedule K-1 (565), line 22; or
- Form 568, Schedule K, line 22 and Schedule K-1 (568), line 22.

Indicate that you included the hiring credit recapture on your tax return by writing "FTB 3807" in the space provided on the schedule or form.

Partnerships and limited liability companies (LLCs) treated as partnerships must identify the recapture amounts for their partners and members on Schedule K-1 (565 or 568).

S corporation shareholders must recapture the portion of the credit that was previously claimed, based on the terminated employee's wages. S corporations must also identify the recapture amount for shareholders on Schedule K-1 (100S). This amount will differ from the amount recaptured by the S corporation on Form 100S, Schedule J.

**Worksheet I Hiring Credit & Recapture — LAMBRA****Section A Credit Computation**

| Qualified wages paid or incurred for year of employment   |                 |                 |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| (a)<br>Employee's name  | (b)<br>1st year | (c)<br>2nd year | (d)<br>3rd year | (e)<br>4th year | (f)<br>5th year |
|   |                 |                 |                 |                 |                 |
|   |                 |                 |                 |                 |                 |
|   |                 |                 |                 |                 |                 |
|   |                 |                 |                 |                 |                 |
|   |                 |                 |                 |                 |                 |
|   |                 |                 |                 |                 |                 |
|   |                 |                 |                 |                 |                 |
| 2 Total. See instructions . . . . .   |                 |                 |                 |                 |                 |
|   | .50             | .40             | .30             | .20             | .10             |
| 3 Multiply line 2 by the percentage in each column. See instructions . . . . .                                  |                 |                 |                 |                 |                 |
| 4 Add the amounts on line 3, column (b) through column (e) . . . . .  |                 |                 |                 |                 |                 |
|   |                 |                 |                 |                 |                 |
| 5 Enter the amount of 2000 federal jobs tax credit allowed. See instructions . . . . .                          |                 |                 |                 |                 |                 |
|   |                 |                 |                 |                 |                 |
| 6 Subtract the amount on line 5 from the amount on line 4 and enter the result here. See instructions . . . . . |                 |                 |                 |                 |                 |
|   |                 |                 |                 |                 |                 |

**Note:** You cannot take the LAMBRA hiring credit as well as another credit for the same wage expense.

**Section B Credit Recapture**

| (a)<br>Terminated employee's name   | (b)<br>Recapture amount |
|---|-------------------------|
| 1   |                         |
|   |                         |
| 2 Total amount of credit recapture. Add the amounts in column (b). See instructions for where to report on your California tax return . . . . . | 2                       |

## Part II Sales or Use Tax Credit

**Individuals, estates and trusts, partnerships, and LLCs treated as partnerships** may claim a credit equal to the sales or use tax paid or incurred to purchase up to \$1 million of qualified property. **Corporations** may claim a credit equal to the sales or use tax paid or incurred to purchase up to \$20 million of qualified property. Individuals who are S corporation shareholders may claim their pro-rata share of pass-through credit to the extent the S corporation paid or incurred the sales or use tax to purchase up to \$1 million of qualified property. See the example in the third column of this page.

The qualified property must be purchased and placed in service on or after the designation date, but before the expiration date of the LAMBRA. The sales or use tax must be paid or incurred on or after the designation date.

### Qualified property is:

- High technology equipment, such as computers and electronic processing equipment;
- Aircraft maintenance equipment, such as engine stands, hydraulic mules, power carts, test equipment, handtools, aircraft start carts, and tugs;
- Aircraft components, such as engines, fuel control units, hydraulic pumps, avionics, starts, wheels, and tires; and
- IRC Section 1245 property.

The business must use the property **exclusively** within the boundaries of the LAMBRA. Also, the qualified property must be purchased before the LAMBRA designation expires.

The use tax paid or incurred on purchases of property manufactured outside of California qualifies for the credit only if property of a comparable quality and price was not available for timely purchase and delivery from a California manufacturer.

### Leased Property

The sales tax paid or incurred on qualified property being purchased using a financial (conditional sales) contract qualifies for the sales or use tax credit.

To determine whether the lease qualifies as a purchase rather than a true lease, see Revenue Ruling 55-540, 1955-2 C.B. 39 and FTB Legal Ruling 94-2, March 23, 1994.

### Credit Limitations

- The amount of sales or use tax credit claimed may not exceed the amount of tax on the LAMBRA business income in any year. After completing Worksheet II, use Worksheet VI on Side 2 of form FTB 3807 to compute the credit limitation.
- In the case where the business is qualified to take the LAMBRA sales or use tax credit as well as another credit (e.g., manufacturers' investment credit) for the same piece of property, the business may only claim one credit.
- Any unused credit may be carried over and applied against the tax on LAMBRA business income in future years until exhausted. In the case of an S corporation, 2/3 of the credit is lost and the remaining 1/3 can be carried over if it cannot be used in the current year.

For additional information about the treatment of credits for S corporations, see Part VI on page 18.

### Depreciation

Any taxpayer that elects to claim this credit cannot increase the basis of the qualified property by the sales or use tax paid or incurred in connection with the purchase of qualified property.

To compute the difference between California and federal depreciation, use the following forms and schedules:

- Form 100 and Form 100W filers – FTB 3885, Corporation Depreciation and Amortization;
- Form 100S filers – Schedule B (100S), S Corporation Depreciation and Amortization;
- Form 109 filers – Form 109, Schedule J, Depreciation. **Note:** Exempt trusts use FTB 3885F, Depreciation and Amortization;
- Form 540 and 540NR filers – FTB 3885A, Depreciation and Amortization – Individuals
- Form 541 filers – FTB 3885F, Depreciation and Amortization Fiduciaries;
- Form 565 filers – FTB 3885P, Depreciation and Amortization Partnerships; or
- Form 568 filers – FTB 3885L, Depreciation and Amortization Limited Liability Companies.

### Record Keeping

To support the sales or use tax credit claimed, keep all records that document the purchase of the qualified property, such as the sales receipt and proof of payment. Additionally, keep all records that identify or describe:

- The property purchased (such as serial numbers, etc.);

- The amount of sales or use tax paid or incurred on its purchase;
- The location where it is used; and
- If purchased from a manufacturer located outside California, records to substantiate that property of comparable quality and price was not timely available for purchase in California.

### Example:

XYZ Inc., an S corporation, purchases qualified property for \$20 million (\$20 m.). The sales tax rate is 6% (.06) and the entity-level tax rate is 1.5%.

The credit allowed XYZ Inc. and the depreciable basis of the qualified property for XYZ Inc. are figured as follows:

|  |         | Depreciable basis |
|--|---------|-------------------|
| Qualified property                       | \$20 m. | \$20 m.           |
| Sales tax paid (\$20 m. x .06)           | 1.2 m.  | +1.2 m.           |
| Sales or use tax credit allowed XYZ Inc. | 1.2 m.  | <u>(1.2 m.)</u>   |

Depreciable basis of qualified property for XYZ Inc. \$20 m.

Credit allowed to offset the entity-level tax (\$1.2 m. x 1/3) \$0.4 m.

XYZ Inc. has two 50% shareholders. The credit allowed the shareholders and the depreciable basis of the qualified property for the shareholders are figured as follows:

|   |         | Depreciable basis |
|---|---------|-------------------|
| Qualified property (purchased by XYZ Inc.)                      | \$20 m. | \$20 m.           |
| Sales tax (paid by XYZ Inc.)                                    | 1.2 m.  | +1.2 m.           |
| Maximum qualified costs for sales or use tax credit             | 1 m.    |                   |
| Sales or use tax credit allowed the shareholders (\$1 m. x .06) | .06 m.  | <u>(.06 m.)</u>   |
| Depreciable basis of qualified property for the shareholders    |         | \$21.14 m.        |
| Total amount of credit allowed the shareholders                 |         | \$.06 m.          |

**Note:** Each shareholder is allowed a \$30,000 (.06 m. ÷ 2 = .03 m.) sales or use tax credit.

# Instructions for Worksheet II — Sales or Use Tax Credit & Recapture

## Section A – Credit Computation

**Line 1, column (a)** – List the items of qualified property purchased during the year. For each item, provide the location (street address and city) of its use. Attach additional schedule(s) if necessary.

**Line 1, column (b)** – Enter the cost of the property listed in column (a).

**Line 1, column (c)** – Enter the amount of sales or use tax paid or incurred on the property listed in column (a).

**Line 2, column (b)** – Add the amounts on line 1, column (b).

**Caution:** This amount cannot exceed \$1 million for individuals, estates and trusts, partnerships, or LLCs treated as partnerships, or \$20 million for corporations. When computing the amount of credit to pass through to S corporation shareholders, use \$1 million.

**Line 2, column (c)** – Add the amounts on line 1, column (c). Enter the total here and on form FTB 3807, Side 2, Worksheet VI, as follows:

- Part II, line 9B, column (b) for corporations, individuals, and estates and trusts;

- Part III, line 11, column (b) for S corporations; or
- Part IV, line 13, column (b) for corporations and S corporations subject to paying only the minimum franchise tax.

**Caution:** Only the sales or use tax paid or incurred on the cost of qualified property up to the limitations on column (b) may be claimed as a credit.

## Section B – Credit Recapture

The sales or use tax credit is subject to recapture (added back to tax) if, before the close of the second taxable year after the property was placed in service, it is disposed of or is no longer used exclusively in the LAMBRA trade or business. In that case, the credit amount for that property is added to the tax in the current taxable year.

This credit is also subject to recapture if the net increase in jobs requirement is not met. See the instructions for form FTB 3807, Part I, Net Increase in Jobs, on page 20.

**Line 1, column (a)** – Enter a description of the qualified property. Attach additional schedule(s) if necessary.

**Line 1, column (b)** – Enter the amount of credit recapture for each property listed in column (a).

**Line 2** – Enter the amount from line 2, column (b) on form FTB 3807, Side 1, line 7.

Also include the amount of sales or use tax credit recapture on your California tax return or schedule as follows:

- Form 100, Schedule J, line 5;
- Form 100S, Schedule J, line 5 and Schedule K-1 (100S), line 23;
- Form 100W, Schedule J, line 5;
- Form 109, Schedule K, line 4;
- Form 540, line 36;
- Form 540NR, line 45;
- Form 541, line 21b and Schedule K-1 (541), line 11e;
- Form 565, Schedule K, line 22 and Schedule K-1 (565), line 22; or
- Form 568, Schedule K, line 22 and Schedule K-1 (568), line 22.

Indicate that you included the sales or use tax credit recapture on your tax return by writing “FTB 3807” in the space provided on the schedule or form.

Partnerships and LLCs treated as partnerships must identify the recapture amounts for partners and members on Schedule K-1 (565 or 568).

S corporations and their shareholders must recapture the portion of credit that was previously claimed. S corporations must also identify the recapture amount for shareholders on Schedule K-1 (100S). This amount will differ from the amount recaptured by the S corporation on Form 100S, Schedule J.

## Worksheet II Sales or Use Tax Credit & Recapture — LAMBRA

### Section A Credit Computation

|   | (a)<br>Property description and location                                   | (b)<br>Cost | (c)<br>Sales or use tax |
|---|--|-------------|-------------------------|
| 1 |  |             |                         |
|   |  |             |                         |
|   |  |             |                         |
|   |  |             |                         |
|   |  |             |                         |
| 2 | Total the amounts in column (b) and column (c). See instructions . . . . . | 2           |                         |

### Section B Credit Recapture

|   | (a)<br>Property description   | (b)<br>Recapture amount |
|---|---|-------------------------|
| 1 |   |                         |
|   |   |                         |
|   |   |                         |
| 2 | Total recapture amount. Add the amounts in column (b). See instructions . . . . . | 2                       |

## Part III Business Expense Deduction

A trade or business operating within a LAMBRA may **elect** to treat 40% of the eligible cost of qualified property as a business expense rather than a capital expense. For the year the property is placed in service, the business may deduct the cost (subject to limitations) in that year rather than depreciate it over several years. The qualified property must be purchased and placed in service on or after the designation date, but before the expiration date of the LAMBRA.

**Note:** The LAMBRA business expense deduction is not allowed for estates and trusts.

**Qualified property** is any recovery property that is IRC Section 1245 property, which includes, but is not limited to, tangible personal property (excluding buildings), most equipment, and most furnishings acquired by purchase for exclusive use within a LAMBRA. Office supplies and other small nondepreciable items are not included.

The maximum aggregate cost applicable to the 40% deduction the business may claim in any taxable year is determined by a reference to the number of taxable years that have elapsed since the LAMBRA received its final designation. See General Information D, LAMBRA Designation, for the designation dates.

The maximum aggregate cost is:  
Taxable year of designation . . . . . \$100,000  
1st taxable year after designation . . . 100,000  
2nd taxable year after designation . . . 75,000  
3rd taxable year after designation . . . 75,000  
Each remaining taxable  
year after designation . . . . . 50,000

### Election

The business must elect to treat the cost of qualified property as a business expense in the year the property is first placed in service. However, this deduction is not allowed if the property was:

- Transferred between members of an affiliated group;
- Acquired as a gift or inherited;
- Traded for other property;
- Received from a personal or business relation as defined in IRC Section 267 or 707(b); or
- Described in IRC Section 168(f).

The LAMBRA business expense deduction must be claimed by making an election on the original filed return, and thus cannot be claimed on an amended return. Such an election cannot be revoked without the written consent of the FTB.

A husband and wife filing separate returns may each claim 1/2 of the allowable deduction. In the case of a partnership, the dollar limitation applies to the partnership and to each partner. Each partner's business expense deduction passed through from the partnership is based on their allocable share of the allowable deduction.

### Depreciation

Corporations may not claim the additional first-year depreciation allowed under R&TC Section 24356 on any item of property if any portion of it was deducted as a LAMBRA business expense. All other taxpayers cannot claim the deduction allowed under IRC Section 179 on any item of property if any portion of it was deducted as a LAMBRA business expense.

To compute the difference between California and federal depreciation, use the following forms and schedules:

- Form 100 and Form 100W filers – FTB 3885, Corporation Depreciation and Amortization;
- Form 100S filers – Schedule B (100S), S Corporation Depreciation and Amortization;
- Form 109 filers – Form 109, Schedule J, Depreciation;
- Form 540 and Form 540NR filers – FTB 3885A, Depreciation and Amortization Individuals;
- Form 565 filers – FTB 3885P, Depreciation and Amortization Partnerships; or
- Form 568 filers – FTB 3885L, Depreciation and Amortization Limited Liability Companies.

## Instructions for Worksheet III — Business Expense Deduction & Recapture

### Section A – Deduction Computation

**Line 2, column (a)** – Enter a description of the qualified property and the location of its use. Attach additional schedule(s) if necessary.

**Line 2, column (b)** – Enter the cost of the property listed in column (a).

**Line 4** – Enter the amount from line 4, column (b) on form FTB 3807, Side 1, line 3, and on your California tax return or schedule as follows:

- Form 100, line 14;
- Form 100S, line 12, Form 100S, Schedule K, line 8, and Schedule K-1 (100S), line 8;
- Form 100W, line 14;
- Form 109, Part II, line 23;

- Schedule CA (540), column B, on the applicable line for your activity;
- Schedule CA (540NR), column B, on the applicable line for your activity;
- Form 565, Schedule K, line 9 and Schedule K-1 (565), line 9; or
- Form 568, Schedule K, line 9 and Schedule K-1 (568), line 9.

**Note:** If filing Form 540 or Form 540NR, indicate that you are claiming the business expense deduction by writing “FTB 3807” above the dotted line to the left of the amount entered on Form 540, line 14 or Form 540NR, line 14.

### Section B – Deduction Recapture

The deduction is subject to recapture (added back to income) if, before the close of the second taxable year after the property was placed in service, the property is sold, disposed, or no longer used exclusively in the LAMBRA trade or business. In that case, add to the current year income the amount previously deducted for that property.

This deduction is also subject to recapture if the net increase in jobs requirement is not met. See the instructions for form FTB 3807, Part I, Net Increase in Jobs, on page 20.

**Line 1, column (a)** – Enter a description of the property. Attach additional schedule(s) if necessary.

**Line 1, column (b)** – Enter the amount of the business expense deduction claimed for each property listed in column (a).

**Line 2** – Enter the total here, on form FTB 3807, Side 1, line 8, and on your California tax return or schedule as follows:

- Form 100, line 14, as a **negative** amount;
- Form 100S, line 12, as a **negative** amount, Form 100S, Schedule K, line 6 and Schedule K-1 (100S), line 6;
- Form 100W, line 14, as a **negative** amount;
- Form 109, Part I, line 11;
- Schedule CA (540), column C, on the applicable line for your activity;
- Schedule CA (540NR), column C, on the applicable line for your activity;
- Form 565, Schedule K, line 7 and Schedule K-1 (565), line 7; or
- Form 568, Schedule K, line 7 and Schedule K-1 (568), line 7.

**Note:** If filing Form 540 or Form 540NR, indicate that you are recapturing the business expense deduction by writing “FTB 3807” above the dotted line to the left of the amount entered on Form 540, line 16 or Form 540NR, line 16.



**Worksheet III Business Expense Deduction & Recapture — LAMBRA****Section A Deduction Computation****1** The maximum aggregate deduction:

- Taxable year of designation, enter \$40,000;
- 1st taxable year after designation, enter \$40,000;
- 2nd taxable year after designation, enter \$30,000;
- 3rd taxable year after designation, enter \$30,000;
- Each remaining taxable year after designation, enter \$20,000 .....

**1**

The designation dates are listed in General Information D, LAMBRA Designation.

|          | (a)<br>Property description and location   | (b)<br>Cost |
|----------|--|-------------|
| <b>2</b> |  |             |
|          |  |             |
|          |  |             |
|          |  |             |
|          |  |             |
|          |  |             |
|          |  |             |
|          |  |             |
|          |  |             |
| <b>3</b> | Total. Add the amounts in line 2, column (b) .....   | <b>3</b>    |
| <b>4</b> | Enter the smaller of line 1 or line 3. This is the maximum amount deductible as a business expense for this LAMBRA. See instructions on page 8 ..... | <b>4</b>    |

**Section B Deduction Recapture**

|          | (a)<br>Property description   | (b)<br>Recapture amount |
|----------|---|-------------------------|
| <b>1</b> |   |                         |
|          |   |                         |
|          |   |                         |
|          |   |                         |
|          |   |                         |
|          |   |                         |
|          |   |                         |
|          |   |                         |
| <b>2</b> | Total recapture amount. Add the amounts in column (b). See instructions on page 8 ..... | <b>2</b>                |

## Part IV Doing Business Totally Within a LAMBRA, Within and Outside a LAMBRA, or in More Than One LAMBRA

LAMBRA tax credits and NOLs are limited to the tax on or business income attributable to operations within the LAMBRA respectively. If the business is located within and outside a LAMBRA or in more than one LAMBRA, you must determine the portion of total business operations that are attributable to each LAMBRA.

### Business Income vs. Nonbusiness Income

Business income is defined as income arising from transactions and activities in the regular course of the trade or business. Business income includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations.

Nonbusiness income is all income other than business income. Get Title 18 Cal. Code Reg. Section 25120 for further references and examples of nonbusiness income.

For an individual, business income includes but is not limited to California business income or loss from Schedules C, D, D-1 (or federal Form 4797, Sales of Business Property, if you did not have to file a Schedule D-1), E, and F, as well as wages. Be sure to include casualty losses, disaster losses, and any business deductions reported on federal Form 1040 Schedule A as itemized deductions.

In essence, all income which arises from the conduct of trade or business operations of a taxpayer is business income.

**Note:** If you elected to carry back part or all of your current year disaster loss under IRC Section 165(i)(1), do not include the amount of the loss that was carried back in your current year business income for the LAMBRA.

Pass-through entities must report to their shareholders, beneficiaries, partners, and members:

1. The distributive (or pro-rata for S corporations) share of the business income apportioned to the LAMBRA; and
2. The distributive (or pro-rata for S corporations) share of the business capital gains and losses apportioned to the LAMBRA included in item 1.

These items should be reported using the appropriate California schedules listed below:

- Schedule K-1 (100S), line 23;
- Schedule K-1 (541), line 11e;
- Schedule K-1 (565), line 22; or
- Schedule K-1 (568), line 22.

### Apportionment

Business income is apportioned to the LAMBRA by multiplying the total California business income of the taxpayer by a fraction, the numerator which is the property factor plus the payroll factor, and the denominator which is two. Loss is apportioned to the LAMBRA by multiplying the taxpayer's net business operating loss from all sources by a fraction, the numerator which is the property factor plus the payroll factor, and the denominator which is two.

#### Property Factor

Property is defined as the average value of all real and tangible personal property owned or rented by the business and used during the taxable year to produce business income.

**Note:** Property is included in the factor if it could be used during the taxable year.

Property owned by the business is valued at its original cost. Generally, **original cost** is the basis of the property for federal income tax purposes (prior to any federal adjustment) at the time of acquisition by the business, adjusted for subsequent capital additions or improvements and partial dispositions because of sale or exchange. Allowance for depreciation is not considered.

**Rented property** is valued at eight times the net annual rental rate. The net annual rental rate for any item of rented property is the total rent paid for the property, less aggregate annual subrental rates paid by subtenants.

When determining **income** or **loss** apportionment on Worksheet IV, Section A or B, the **numerator** of the property factor is the average value of real and tangible personal property owned or rented by the business and used within the LAMBRA during the taxable year to produce LAMBRA business income (column (b)).

When determining **income** apportionment on Worksheet IV, Section A, the **denominator** of the property factor is the total average value of all real and tangible personal property owned or rented and used during the taxable year within California (column (a)).

When determining **loss** apportionment on Worksheet IV, Section B, the **denominator** of the property factor is the total average value of all the taxpayer's real and tangible personal property owned or rented and used during the taxable year to produce business income within and outside the LAMBRA (column (a)).

#### Payroll Factor

Payroll is defined as the total amount paid to the business's employees as compensation for the production of business income during the taxable year.

**Compensation** means wages, salaries, commissions, and any other form of remuneration paid directly to employees for personal services. Payments made to independent contractors or any other person not properly classified as an employee are excluded.

#### Compensation Within the LAMBRA.

Compensation is considered to be within the LAMBRA if any one of the following tests is met:

- The employee services are performed within the geographical boundaries of the LAMBRA; or
- The employee services are performed within and outside the LAMBRA, but the services performed outside the LAMBRA are incidental to the employee services within the LAMBRA.

**Note:** Incidental means any temporary or transitory service performed in connection with an isolated transaction.

**Compensation Within and Outside the LAMBRA.** If employee services are performed within and outside the LAMBRA, employee compensation will be attributed to the LAMBRA if:

- The employee's base of operations is within the LAMBRA; or
- There is no base of operations in any other part of the state in which some part of the service is performed, but the place from which the service is directed or controlled is within the LAMBRA.

**Base of operations** is the permanent place from which employees start work and customarily return in order to receive instruction from the taxpayer or communications from their customers or other persons; to replenish stock or other material; to repair equipment; or to perform any other functions necessary in the exercise of their trade or profession at some other point or points.

When determining **income** or **loss** apportionment on Worksheet IV, Section A or B, the **numerator** of the payroll factor is the taxpayer's total compensation paid to employees for working within the LAMBRA during the taxable year (column (b)).

When determining **income** apportionment on Worksheet IV, Section A, the **denominator** of the payroll factor is the total taxpayer's compensation paid to employees working in California (column (a)).

When determining **loss** apportionment on Worksheet IV, Section B, the **denominator** of the payroll factor is the taxpayer's total compensation paid to employees working in all business operation locations.

#### Corporations which file a combined report.

Business income for each corporation doing business in a LAMBRA will be its business income assigned to California (See FTB Pub. 1061 for further information on combined reports and entity income assignment). LAMBRA property and payroll factors used in the determination of LAMBRA income includes only the taxpayer's California amounts in the denominator.



**Worksheet IV Apportionment – LAMBRA (continued)****Section B Loss Apportionment (For the computation of current year net operating loss)**

Use Worksheet IV, Section B, if your business has net losses from sources within and outside a LAMBRA.

|   | (a)<br>Total within and<br>outside a LAMBRA | (b)<br>Total within<br>a LAMBRA | (c)<br>Percentage within a LAMBRA<br>(column (b) ÷ column (a)) |
|---|---|---------------------------------|--|
| <b>PROPERTY FACTOR</b>  |   |                                 |  |
| <b>1</b> <b>Average</b> yearly value of owned real and tangible personal property used in the business (at original cost). See instructions on page 10. Exclude property not connected with the business and the value of construction in progress. |   |                                 |  |
| Inventory .....   |   |                                 |  |
| Buildings .....   |   |                                 |  |
| Machinery and equipment .....   |   |                                 |  |
| Furniture and fixtures .....  |   |                                 |  |
| Delivery equipment .....  |   |                                 |  |
| Land .....  |   |                                 |  |
| Other tangible assets (attach schedule) .....   |   |                                 |  |
| Rented property used in the business.   |   |                                 |  |
| See instructions on page 10 .....   |   |                                 |  |
| <b>Total property values</b> .....  |   |                                 |  |
| <b>PAYROLL FACTOR</b>   |   |                                 |  |
| <b>2</b> Employees' wages, salaries, commissions, and other compensation related to business income included in the return.   |   |                                 |  |
| <b>Total payroll</b> .....  |   |                                 |  |
| <b>3</b> Total percentage (sum of the percentages in column (c))  |   |                                 |  |
| <b>4</b> Average apportionment percentage (1/2 of line 3).<br>Enter here and on Worksheet V, Section B, line 4 .....  |   |                                 |  |

**Note:** The average apportionment percentage shown on line 4 represents the portion of the taxpayer's total business that is attributable to activities conducted within the LAMBRA. Also, those factors with zero balances in the totals of column (a) will not be included in the computation of the average apportionment percentage. For example, if the taxpayer does not have any payroll within or outside the LAMBRA, then the average apportionment percentage would be computed by dividing line 3 by one instead of by two as normally instructed.

## Part V Net Operating Loss (NOL) Computation and Loss Limitations

An NOL generated by a business that operates or invests within a LAMBRA can be carried forward for 15 years but cannot be carried back. Financial institutions using the bad debt reserve method may carry over the loss for a maximum of five taxable years. In addition, up to 100% of the NOL generated in a LAMBRA can be carried forward.

The business cannot generate NOLs from activities within the LAMBRA area until the first taxable year beginning on or after the date the LAMBRA is officially designated. A LAMBRA NOL cannot be generated for taxable years beginning before the designation date. See General Information D, LAMBRA Designation, for LAMBRA designation dates.

**Limitation.** A LAMBRA NOL deduction can offset only business income attributable to operations within the LAMBRA.

**Election.** Taxpayers **must** elect and designate the carryover category (general or specific, enterprise zone, LAMBRA, or TTA NOL) on the original return for the year of a loss and file form FTB 3807 for each year in which a LAMBRA NOL deduction is being taken. The election is **irrevocable**.

**Note:** If you elect the LAMBRA NOL deduction, you are prohibited by law from carrying over any other type of NOL from this year.

To determine which type of NOL will provide the greater benefit, taxpayers that have general or specific, enterprise zone, LAMBRA, or TTA NOLs or that may qualify for the special NOL treatment should estimate future income and complete Worksheet V and the following forms or worksheets if applicable:

- FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates and Trusts;
- FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations;
- FTB 3805Z, Enterprise Zone Business Booklet, Worksheet VI; or
- FTB 3809, Targeted Tax Area Business Booklet, Worksheet V.

**Alternative Minimum Tax.** Taxpayers claiming a LAMBRA NOL deduction must determine their NOL for alternative minimum tax (AMT) purposes. Use Schedule P (100, 100W, 540, 540NR, or 541) to compute the NOL for AMT purposes.

**S Corporations.** LAMBRA NOLs incurred prior to becoming an S corporation cannot be used against S corporation income. See IRC Section 1371(b).

However, an S corporation is allowed to deduct a LAMBRA NOL incurred after the “S” election is made. An S corporation may use the NOL as a deduction against income subject to the 1.5% entity-level tax (3.5% for

financial S corporations). The expenses (and income) giving rise to the loss are also passed through to the shareholders in the year the loss is incurred.

### NOL Carryover Amount — Nonapportioning Corporations That Are Totally Within the LAMBRA

For calendar and fiscal year taxpayers with all payroll and property within a LAMBRA, the NOL carryover is determined by computing the business loss that results from business activity in the LAMBRA.

### NOL Carryover Amount — Apportioning Corporations and Nonapportioning Corporations

If the business is located within and outside or in more than one LAMBRA, the loss amount available for carryover is determined by apportioning the total business loss of the corporation attributable to the LAMBRA pursuant to the provisions of R&TC Chapter 17 (commencing with Section 25101) with certain modifications to the apportioning factors. The apportionment factors include the property and payroll factors, and they compare the LAMBRA property and payroll to total property and payroll. This apportionment factor calculation is done on Worksheet IV, Section B. The loss carryover is deducted against income apportioned by each business to the LAMBRA in subsequent years. This calculation is done on Worksheet V, Section C.

Corporations that are members of a unitary group filing a combined report must separately compute the loss carryover for each corporation in the group (R&TC Section 25108) using their individual apportionment factors. Unlike the NOL treatment on a federal consolidated return, a loss carryover for one member included in a combined report may not be applied to the intrastate apportioned income of another member included in a combined report.

For water’s-edge purposes, each corporation’s NOL carryover is limited to the amount determined by recomputing the income and factors of the original worldwide combined reporting group as if the water’s-edge election had been in force for the year of the loss. The NOL carryover may not be increased as a result of the recomputation.

## Instructions for Income or Loss Worksheet

Use the Income or Loss Worksheet on page 15 to determine the amount to enter on:

- Worksheet V, Section A, line 1;
- Worksheet V, Section C, line 1 and line 6 (Form 540 and Form 540NR filers); and
- Worksheet VI, Part I, line 1 and line 3.

Do not include disaster losses in any amounts used in the table.

Only California source business income is apportioned to the LAMBRA. A taxpayer’s LAMBRA business income is its California apportioned business income computed using Schedule R, multiplied by the specific LAMBRA apportionment percentage computed using Worksheet IV, Section A.

The first step is to determine which portion of the taxpayer’s net income is “business income” and which portion is “nonbusiness income,” since only business income may be apportioned to the LAMBRA. See Part IV, Doing Business Totally Within a LAMBRA, Within and Outside a LAMBRA, or in More Than One LAMBRA, on page 10 for a complete discussion of business and nonbusiness income.

Business income or loss reported on Schedules C, C-EZ, E, and F, and other schedules are reported on line 6 through line 9. Line 11 and line 12 report business gains or losses reported on Schedule D and Schedule D-1. All business income and losses should be adjusted for any differences between California and federal amounts as shown on the Schedule CA (540 or 540NR).

## Loss Computation (Use to compute NOL for Worksheet V, Section A)

### Located Entirely Within the LAMBRA

**Line 6 – Line 9:** If your business operation reported on Schedule C, C-EZ, E, or F, or other schedule is entirely within the LAMBRA, enter the income or loss from this activity in column (a), and enter 1.00 in column (b).

**Line 11 and Line 12:** If the gain or loss reported on Schedule D or Schedule D-1 (as adjusted on Schedule CA (540 or 540NR)) was attributed to an asset used in an activity conducted entirely within the LAMBRA, enter the gain or loss reported in column (a) and enter 1.00 in column (b).

### Located Within and Outside the LAMBRA

**Line 6 – Line 9:** If your business operation reported on Schedule C, C-EZ, E, or F, or other schedule is within and outside the LAMBRA, enter the income or loss from this activity in column (a). To determine the percentage figure in column (b), complete Worksheet IV, Section B. Enter the figure on Worksheet IV, Section B, line 4, in column (b) of this worksheet.

**Line 11 and Line 12:** If the gain or loss reported on Schedule D or Schedule D-1 (as adjusted on Schedule CA (540 or 540NR)) was attributed to an asset used in an activity conducted within and outside the LAMBRA, enter the gain or loss reported in column (a). To determine the percentage figure in column (b), complete Worksheet IV, Section B. Enter the figure on Worksheet IV, Section B, line 4, in column (b) of this worksheet.

## Income Computation (Use to compute LAMBRA income for Worksheet V, Section C and Worksheet VI)

### Located Entirely Within the LAMBRA

**Line 6 – Line 9:** If your business operation reported on Schedule C, C-EZ, E, or F, or other schedule is entirely within the LAMBRA, enter the income or loss from this activity in column (a), and enter 1.00 in column (b).

**Line 11 and Line 12:** If the gain or loss reported on Schedule D or Schedule D-1 (as adjusted on Schedule CA (540 or 540NR)) was attributed to an asset used in an activity conducted entirely within the LAMBRA, enter the gain or loss reported in column (a) and enter 1.00 in column (b).

### Located Entirely Within California

**Line 6 – Line 9:** If your business operation reported on Schedule C, C-EZ, E, or F, or other schedule is entirely within California, enter the income or loss from this activity in column (a). To determine the percentage figure in column (b), complete Worksheet IV, Section A. Enter the figure on Worksheet IV, Section A, line 4, in column (b) of this worksheet.

**Line 11 and Line 12:** If the gain or loss reported on Schedule D or Schedule D-1 (as adjusted on Schedule CA (540 or 540NR)) was attributed to an asset used in an activity conducted entirely within California, enter the gain or loss reported in column (a). To determine the percentage figure in column (b), complete Worksheet IV, Section A. Enter the figure on Worksheet IV, Section A, line 4, in column (b) of this worksheet.

### Located Within and Outside the LAMBRA and California

**Line 6 – Line 9:** If your business operation reported on Schedule C, C-EZ, E, or F, or other schedule is within and outside the LAMBRA and California, get Schedule R and complete line 1 through line 13b. Enter the figure on Schedule R, line 13b in column (a) of this worksheet. To determine the percentage figure in column (b), complete Worksheet IV, Section A. Enter the figure on Worksheet IV, Section A, line 4, in column (b) of this worksheet.

**Note:** When computing Schedule R, disregard any reference to Form 100, Form 100W, Form 565, or Form 568. Also disregard any reference to Schedule R-3, Schedule R-4, or Schedule R-5, and skip line 11.

Nonresidents who have an apportioning business that operates within the LAMBRA should have already computed Schedule R, and can use those amounts when that schedule is referenced. Residents who have an apportioning business will not have completed a Schedule R for California income

tax purposes since they are taxed on income from all sources. However, in order for residents to determine their California source business income for purposes of the LAMBRA calculation, they must also complete a Schedule R.

**Line 11 and Line 12:** If the gain or loss reported on Schedule D or Schedule D-1 (as adjusted on Schedule CA (540 or 540NR)) was attributed to an asset used in an activity conducted within and outside a LAMBRA and California, get Schedule R and complete Schedule R-1. Multiply the gain or loss reported by the percentage on Schedule R-1, line 5 and enter the result in column (a). To determine the percentage figure in column (b), complete Worksheet IV, Section A. Enter the figure on Worksheet IV, Section A, line 4, in column (b) of this worksheet.

## Part I Individual Income and Expense Items

### Wages

Taxpayers with wages from a company located within and outside a LAMBRA must determine the LAMBRA wage income by entering the percentage of their time (during the period for which the wages entered on line 1 were earned) that they worked within the LAMBRA. This percentage must be determined based on their record of time and events such as a travel log or entries in a daily planner.

## Part II Pass-Through Income or Loss

### Multiple Pass-Through Entities

If you are a shareholder, beneficiary, partner, or member in multiple pass-through entities with businesses located within and outside a LAMBRA from which you received LAMBRA tax incentives, see the example below for computing business income in the LAMBRA.

#### Example:

| Pass-through entity | Trade or business income from Schedule K-1 (100S, 541, 565, or 568) | Entity's LAMBRA apportionment percentage | LAMBRA apportioned income |
|---------------------|---|--|---------------------------|
| ABC, Inc.           | \$40,000  | 80%                                      | \$32,000                  |
| A, B & C            | 30,000  | 10%                                      | 3,000                     |
| ABC, LLC            | 10,000  | 50%                                      | 5,000                     |
|                     |   |  | <u>\$40,000</u>           |

## Part III Taxpayer's Trade or Business

### Business Income or Loss

Use business income or loss from Form 1040 Schedules C, C-EZ, E, and F, plus California adjustments from Schedule CA (540 or 540NR) for each trade or business. Also include business capital gains and losses from Schedule D and business gains and losses from Schedule D-1.

**Line 14 –** If you are computing the LAMBRA NOL and the result on the Income or Loss Worksheet, line 14, column (c) is a **negative** amount, enter this amount on Worksheet V, Section A, line 1. **Note:** If the amount is positive, you do not have a LAMBRA NOL.

If you are computing the LAMBRA business income and the result on the Income or Loss Worksheet, line 14, column (c) is a **positive** amount and:

- You have LAMBRA NOL carryovers, enter the amount on Worksheet V, Section C, line 1 and line 6 (skip line 2 through line 5). Also enter the amount from the Income or Loss Worksheet, line 14, column (c) on FTB 3807, Side 2 Worksheet VI, Part I, line 1 and line 3 (skip line 2) if you have LAMBRA credits; or
- You do not have LAMBRA NOL carryovers but you do have LAMBRA credits or credit carryovers, enter the amount on FTB 3807, Side 2 Worksheet VI, Part I, line 1 and line 3 (skip line 2).

**Note:** If the amount is negative, you do not have any business income attributable to the LAMBRA and you cannot utilize any LAMBRA NOL carryover, credit(s), or credit carryover(s) in the current taxable year.

**Income or Loss Worksheet — LAMBRA****Part I Individual Income and Expense Items.** See instructions.

|   | (a)<br>Amount | (b)<br>% of time providing services in<br>the LAMBRA | (c)<br>Apportioned amount<br>(a) x (b) |
|---|---------------|--|--|
| 1 Wages .....   |               |  |  |
| 2 Employee business expenses .....  |               |  |  |
| 3 Subtotal: Enter the total of line 1, column (c) and line 2, column (c) on this line ..... |               |  |  |

**Part II Pass-Through Income or Loss.** See instructions.

| (a)<br>Name of entity  | (b)<br>Distributive or pro-rata share of business income or loss apportioned<br>to the LAMBRA from Schedule K-1 (100S, 541, 565, or 568)<br>including capital gains and losses |
|--|--|
| 4  |  |
|  |  |
| 5 Subtotal: Enter the total of line 4, column (b) on this line ..... |  |

**Part III Taxpayer's Trade or Business.** See instructions.

|  | (a)<br>Business income or loss  | (b)<br>Apportionment %<br>for the LAMBRA | (c)<br>Apportioned income or loss<br>(a) x (b) |
|--|---------------------------------|--|--|
| 6 Schedule C or C-EZ .....   |                                 |  |  |
| 7 Schedule E (Rentals) .....   |                                 |  |  |
| 8 Schedule F .....   |                                 |  |  |
| 9 Other business income or loss .....  |                                 |  |  |
| 10 Subtotal: Enter the total of line 6 through line 9, column (c) on this line .....                                   |                                 |  |  |
|  | (a)<br>Business gain<br>or loss | (b)<br>Apportionment %<br>for the LAMBRA | (c)<br>Apportioned gain or loss<br>(a) x (b)   |
| 11 Schedule D .....  |                                 |  |  |
| 12 Schedule D-1 .....  |                                 |  |  |
| 13 Subtotal: Enter the total of line 11, column (c) and line 12, column (c) on this line .....                         |                                 |  |  |
| 14 Total: Enter the total of column (c) for line 3, line 10, and line 13, and line 5, column (b)<br>on this line ..... |                                 |  |  |

## Instructions for Worksheet V — NOL Computation and Loss Limitations

Individuals and exempt trusts with a current year loss complete Section A. Corporations with a current year loss complete Section B. Individuals, exempt trusts, and corporations with current year income and a prior year LAMBRA NOL carryover complete Section C.

### Section A – Computation of Current Year NOL — Individuals and Exempt Trusts

Use this section to compute the LAMBRA NOL to be carried over to future years by individuals and exempt trusts. Complete Section A **only** if you have a current year loss.

You must complete form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates and Trusts, before you can compute the allowable LAMBRA loss.

To compute the LAMBRA NOL, separate business income and deductions from nonbusiness income and deductions. See Part IV for a complete discussion of business and nonbusiness income.

### Section B – Computation of Current Year NOL — Corporations

Use this section to compute the LAMBRA NOL to be carried over to future years for corporations. Complete Section B **only** if the corporation has a current year loss.

You must complete form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations, before you can compute the allowable LAMBRA loss.

### Section C – Computation of NOL Carryover and Carryover Limitations — Individuals, Exempt Trusts, and Corporations

Use this section to compute the LAMBRA NOL deduction for individuals, exempt trusts, and corporations. The LAMBRA NOL deduction is used to reduce current year income from the LAMBRA.

**Line 1** — See Part IV for a complete discussion of business and nonbusiness income. **Note to Form 540 and Form 540NR filers:** Be sure to include casualty losses, disaster losses, and any business deductions reported on Schedule A as itemized deductions.

**Exception:** If you elected to carry back part or all of your current year disaster loss under IRC Section 165(i)(1), do not include the amount of loss that was carried back in your current year business income for the LAMBRA.

**Line 2** — In modifying your income, deduct your capital losses only up to your capital gains. Enter as a positive number any net capital losses included in line 1.

**Line 3** — Corporations must reduce income by the disaster loss deduction and the deduction for excess net passive income.

**Line 6** — This is your modified taxable income (MTI). Reduce this amount by your LAMBRA NOL deduction. The LAMBRA NOL deduction may not be larger than your MTI. If your MTI is a loss in the current year or if it limits the amount of NOL you may use this year, you must carry over the NOL to future years.

**Line 7** — Enter the amount from line 6 in column (d). If this amount is zero or negative, transfer the amounts from line 8 through line 11, column (b) to column (e). Go to line 12.

**Line 8 – Line 11** — Enter the amounts on line 8 through line 11 as positive numbers.

In column (c), enter the smaller of the amount in column (b) or the amount in column (d) from the previous line.

In column (d), enter the result of subtracting column (c) from the balance on the previous line in column (d).

In column (e), enter the result of subtracting the amount in column (c) from the amount in column (b), as applicable.

**Example:**

| (b) Carry-over from prior year | (c) Amount deducted this year | (d) Balance available to offset losses | (e) LAMBRA NOL carryover |
|--------------------------------|-------------------------------|--|--------------------------|
|                                |                               | \$5,000                                |                          |
| \$ 500                         | \$ 500                        | 4,500                                  | \$ 0                     |

**Line 12** — Enter the amount of your current year NOL in column (e). For individuals and exempt trusts, enter the amount from Section A, line 7. For corporations, enter the amount from Section B, line 7.

**Line 13** — Total the amounts in column (b), column (c), and column (e). Enter the totals from column (b), column (c), and column (e) on form FTB 3807, Side 1, line 4a, line 4b, and line 4c, accordingly.

Your LAMBRA NOL deduction for 2000 is the total of column (c). Enter this amount on your California tax return or schedule as follows:

- Form 100, line 20;
- Form 100S, line 19;
- Form 100W, line 20;
- Form 109, line 3 or line 11;
- Schedule CA (540), line 21e, column B; or
- Schedule CA (540NR), line 21e, column B.

## Worksheet V Net Operating Loss (NOL) — LAMBRA

### Section A Computation of Current Year Net Operating Loss — Individuals and Exempt Trusts

- 1 Net trade or business loss from all sources. **Individuals:** Enter the total from the Income or Loss Worksheet, line 14, column (c) (page 15) as a positive number. For purposes of this worksheet section, do not include any 2000 losses or disaster loss carryovers in line 1. See instructions for definition of business income (page 10).  
**Exempt trusts:** Enter the amount from Form 109, line 10
- 2 Business capital losses included in line 1. Enter as a positive number
- 3 Business capital gains included in line 1
- 4 If line 2 is greater than line 3, enter the difference as a positive number; otherwise enter -0-
- 5 Subtract line 4 from line 1. If the result is zero or less, do not complete the rest of this section. You do not have a current year NOL from a LAMBRA
- 6 Enter the amount from form FTB 3805V, Part I, Section A, line 20
- 7 Enter the smaller of line 5 or line 6 here and in Section C, line 12, column (e)  
This is the LAMBRA NOL carryover from 2000 to 2001.

|   |  |
|---|--|
|   |  |
| 1 |  |
| 2 |  |
| 3 |  |
| 4 |  |
| 5 |  |
| 6 |  |
| 7 |  |



**Worksheet V (continued)****Section B Computation of Current Year Net Operating Loss — Corporations****Note:** If you have a LAMBRA NOL and a prior year general NOL, see instructions on page 13.During the year the corporation incurred the NOL, the corporation was a: ☐ C corporation ☐ S corporation ☐ Exempt corporation

|  |           |
|--|-----------|
| <b>1</b> Net loss for state purposes from Form 100, line 17 and Form 100W, line 17; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1. Enter as a positive number. <b>Note:</b> Apportioning corporations, enter the amount from Schedule R, line 12 . . . . . | <b>1</b>  |
| <b>2 a</b> 2000 disaster relief loss included in line 1. Enter as a positive number . . . . .  | <b>2a</b> |
| <b>b</b> Nonbusiness income included in line 1. Enter as a negative number . . . . .   | <b>2b</b> |
| <b>c</b> Nonbusiness losses included in line 1. Enter as a positive number . . . . .   | <b>2c</b> |
| <b>d</b> Combine line 2a through line 2c . . . . .   | <b>2d</b> |
| <b>3</b> Subtract line 2d from line 1. If zero or less, do not complete the rest of this section; the corporation does not have a current year NOL from a LAMBRA . . . . .   | <b>3</b>  |
| <b>4</b> Enter the average apportionment percentage from Worksheet IV, Section B, line 4 . . . . .   | <b>4</b>  |
| <b>5</b> Multiply line 3 by line 4 . . . . .   | <b>5</b>  |
| <b>6</b> Enter the amount from form FTB 3805Q, Part I, line 3 . . . . .  | <b>6</b>  |
| <b>7</b> Enter the smaller of line 5 or line 6 here and in Section C, line 12, column (e) . . . . .  | <b>7</b>  |

This is the LAMBRA NOL carryover from 2000 to 2001.

**Section C NOL Carryover and Carryover Limitations — Individuals, Exempt Trusts, and Corporations.** See instructions.

|  |           |  |
|--|-----------|--|
| <b>1</b> Enter the amount from Form 100, line 17 or Form 100W, line 17; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1 or line 10. Form 540 and Form 540NR filers, enter the total from the Income or Loss Worksheet, line 14, column (c) (page 15) on line 1 and line 6 (skip line 2 through line 5). See instructions. <b>Note:</b> Corporations which file a combined report, enter the taxpayer's business income assigned to California (see instructions Part IV) . . . . . | <b>1</b>  |  |
| <b>2 a</b> Form 100, Form 100W, Form 100S, and Form 109 filers: Enter any nonbusiness income included in line 1 as a negative number. Form 540 and Form 540NR filers leave blank . . . . .   | <b>2a</b> |  |
| <b>b</b> Form 100, Form 100S, and Form 109 filers: Enter any nonbusiness losses included in line 1 as a positive number. Form 540 and Form 540NR filers leave blank . . . . .  | <b>2b</b> |  |
| <b>c</b> Combine line 2a and line 2b . . . . .   | <b>2c</b> |  |
| <b>3</b> Form 100 and Form 100W filers: Enter the amount from Form 100 or Form 100W, line 21. Form 100S filers: Enter the total of the amounts from Form 100S, line 17 and line 20. Form 540, Form 540NR, and Form 109 filers: Enter -0-. Enter this amount as a negative number . . . . .   | <b>3</b>  |  |
| <b>4</b> Combine line 1, line 2c, and line 3. If zero or less, enter -0- on line 6 . . . . .   | <b>4</b>  |  |
| <b>5</b> Enter the average apportionment percentage from Worksheet IV, Section A, line 4 . . . . .   | <b>5</b>  |  |
| <b>6</b> Modified taxable income. Multiply line 4 by line 5. See instructions . . . . .  | <b>6</b>  |  |

| (a)<br>Description   | (b)<br>Carryover from<br>prior year | (c)<br>Amount deducted<br>this year | (d)<br>Balance available to<br>offset losses | (e)<br>LAMBRA NOL carryover |
|--|-------------------------------------|-------------------------------------|--|-----------------------------|
| <b>7</b> Modified taxable income from line 6.<br>See instructions . . . . .                          |                                     |                                     |  |                             |
| <b>8</b> LAMBRA NOL carryover<br>beginning in 1996. See instructions . . . . .                       |                                     |                                     |  |                             |
| <b>9</b> LAMBRA NOL carryover<br>beginning in 1997. See instructions . . . . .                       |                                     |                                     |  |                             |
| <b>10</b> LAMBRA NOL carryover<br>beginning in 1998. See instructions . . . . .                      |                                     |                                     |  |                             |
| <b>11</b> LAMBRA NOL carryover beginning in<br>1999. See instruction . . . . .                       |                                     |                                     |  |                             |
| <b>12</b> LAMBRA NOL carryover<br>beginning in 2000. See instructions . . . . .                      |                                     |                                     |  |                             |
| <b>13</b> Total the amounts in column (b), column (c),<br>and column (e). See instructions . . . . . |                                     |                                     |  |                             |

## Part VI Computation of Credit Limitations

**Credit Limitations.** The amount of credit you can claim on your California tax return is limited by the amount of tax attributable to LAMBRA income. Use Worksheet VI on form FTB 3807, Side 2 to compute this limitation.

If a taxpayer owns an interest in a disregarded business entity, the amount of credit that can be utilized is limited to the difference between the taxpayer's regular tax computed with the income of the disregarded entity, and the taxpayer's regular tax computed without the income of the disregarded entity.

Partnerships must allocate the credit among the partners according to the partner's distributive share as determined in a written partnership agreement (R&TC Section 17039(e)).

Credits you are otherwise eligible to claim may be limited. Do not apply credits against the minimum franchise tax (corporations, limited partnerships, limited liability partnerships, S corporations, and LLCs), the alternative minimum tax (corporations, exempt organizations, individuals, and fiduciaries), the built-in gains tax (S corporations), or the excess net passive income tax (S corporations).

Refer to the credit instructions in your tax booklet for more information.

**S Corporations and the Application of LAMBRA Credits.** An S corporation may use its LAMBRA credits to reduce LAMBRA tax both at the corporate and shareholder levels. An S corporation may use 1/3 of the LAMBRA credits to reduce the tax on the S corporation's LAMBRA income. In addition, S corporation shareholders may claim their pro-rata share of the entire amount of the LAMBRA credits calculated under the Personal Income Tax Law.

**Example:** In 2000, an S corporation qualified for a \$3,000 LAMBRA hiring credit. The S corporation will be able to use 1/3 of the credit ( $\$3,000 \times 1/3 = \$1,000$ ) to offset the tax on the corporation's LAMBRA business income. The S corporation will also pass through a \$3,000 credit to its shareholders to offset their individual tax (computed under the Personal Income Tax Law) on LAMBRA business income.

S corporations should attach form FTB 3807 to Form 100S, California S Corporation Franchise or Income Tax Return, to claim the tax credits. If form FTB 3807 is not attached to the return, the credits may be disallowed.

Shareholders should attach Schedule(s) K-1 (100S), Shareholder's Share of Income, Deductions, Credits, etc., to their individual tax return.

**Carryover.** If the amount of credit available this year exceeds your LAMBRA business tax, you may carry over any excess credit to future years until exhausted. Apply the carryover to the earliest taxable year(s) possible. In no event can the credit be carried back and applied against a prior year's tax.

For S corporations, the amount of the 1/3 credit that is in excess of the 1.5% entity-level tax (3.5% for financial S corporations) in the current year may also be carried forward and used in future years to offset the 1.5% entity-level tax (3.5% for financial S corporations). See the instructions for Worksheet VI, Part III for more information.

**Credit Code Number.** You must use credit code number **198** to claim the LAMBRA hiring and sales or use tax credits. Using an incorrect code number may cause a delay in allowing the credit(s).

### Instructions for Worksheet VI — Computation of Credit Limitations

**Note:** Worksheet VI is on Side 2 of form FTB 3807.

Partnerships and LLCs treated as partnerships do not complete Worksheet VI. The partners and members of these types of entities should complete Worksheet VI in order to determine the amount of LAMBRA credits that they may claim on their California tax returns. S corporations and their shareholders must complete Worksheet VI.

#### Reporting Requirements of S Corporations, Estates and Trusts, Partnerships, and LLCs Treated as Partnerships

- Report to shareholders, beneficiaries, partners, and members, the distributive or pro-rata share of business income, loss, and deductions apportioned to the LAMBRA; and
- Separately state the distributive or pro-rata share of any business capital gains and losses apportioned to the LAMBRA included in the amount above.

**S corporations:** Complete Part I and Part III of this worksheet if your entity-level tax before credits is more than the minimum franchise tax.

**Corporations and S corporations subject to the minimum franchise tax only:** Complete only Part IV of this worksheet.

**All others:** Complete Part I and Part II of this worksheet.

#### Part I

**Note:** For filers with NOLs or NOL carryovers.

- Complete Worksheet V (pages 16 and 17) first if you have a current year NOL or an NOL carryover.
- Then complete Worksheet VI if you have any LAMBRA credits.

If you do not have a current year NOL or any NOL carryovers:

- **Individuals:** Go to the Income or Loss Worksheet (page 15). Follow the worksheet instructions. Enter the amount from the Income or Loss Worksheet, line 14, column (c) on Worksheet VI, Part I, line 1 and line 3 (skip line 2).
- **Corporations:** Follow the instructions for line 1 below.

**Line 1** — Enter all trade or business income. See Part IV (page 10) for the definition of trade or business income.

**Line 2** — If your business is located entirely within the LAMBRA, enter 1.

This percentage is the apportionment percentage computed by the entity using Worksheet IV (page 11) and it represents the percentage of the entity's business attributable to the LAMBRA.

**Line 6a** — Compute the tax as if the LAMBRA taxable income represented all of your taxable income.

**Individuals:** Use the tax table or tax rate schedule in your tax booklet for your filing status. **Exempt organizations:** Use the applicable tax rate in your tax booklet.

**Corporations and S corporations:** Use the applicable tax rate.

#### Example (Determination of LAMBRA Income for Shareholders, Partners, or Members of Pass-Through Entities):

John Smith is vice president of ABC, Inc., an S corporation that has two locations: one within the LAMBRA and one outside the LAMBRA. Eighty percent (80%) of the S corporation's business is attributable to the LAMBRA.

**Note:** This percentage was determined by ABC, Inc. using form FTB 3807, Worksheet IV — Apportionment, when ABC's California S corporation return (Form 100S) was prepared. John divides his time equally (50%/50%) between the two offices of ABC, Inc.

Mary Smith (John's spouse) works for ABC, Inc. at its office located within the LAMBRA.

John and Mary Smith have the following items of California income and expense for the 2000 tax year:

|  |           |
|--|-----------|
| John's salary from ABC, Inc. . . . .                             | \$100,000 |
| Mary's salary from ABC, Inc. . . . .                             | 75,000    |
| Interest on savings account . . . . .                            | 1,000     |
| Dividends . . . . .  | 3,000     |
| Schedule K-1 (100S) from ABC, Inc.:<br>Ordinary income . . . . . | 40,000    |
| LAMBRA business expense deduction . . . . .                      | (5,000)*  |

John's unreimbursed employee expenses from federal Schedule A . (2,000)

\*The LAMBRA business expense deduction is a separately stated item on Schedule K-1 (100S), line 8.

The Smith's LAMBRA income (total amount to be reported on line 3) is computed as follows:

|  |           |
|--|-----------|
| John's LAMBRA salary<br>(\$100,000 x 50%)                          | \$50,000  |
| Mary's LAMBRA salary<br>(\$75,000 x 100%)                          | 75,000    |
| Pass-through ordinary income from<br>ABC, Inc. (\$40,000 x 80%)    | 32,000    |
| LAMBRA business expense<br>deduction from ABC, Inc.                | (5,000)   |
| John's unreimbursed employee<br>business expenses<br>(2,000 x 50%) | (1,000)   |
| Total LAMBRA income<br>(Worksheet VI, Part I, line 3)              | \$151,000 |

**Note:** The standard deduction and personal or dependency exemptions are not included in the computation of LAMBRA income since they are not related to trade or business activities.

John and Mary must compute the tax (to be entered on Worksheet VI, Part I, line 6a) on the total LAMBRA income of \$151,000 (as if it represents all of their income). Using the tax rate schedule in their tax booklet for filing status married filing joint, the 2000 tax figured on \$151,000 is \$10,534.

**Line 6b – Corporations and S corporations:** If the amount on line 6b is the minimum franchise tax (\$800), you cannot use your LAMBRA credits this year. You should complete Part IV of the worksheet to figure the amount of credit carryover.

## Part II

Use Part II on side 2 of form FTB 3807 if you are a corporation, individual, estate, or trust.

Corporations and S corporations that are subject to paying only the minimum franchise tax, go to Part IV.

## Example: Part II

The ABC Business has \$8,000 of tax. The business computed a credit limitation based on LAMBRA business income of \$7,000 on Worksheet VI, line 5. The business has the following credits:

|                         |   |         |
|-------------------------|---|---------|
| Hiring credit           | — | \$ 500  |
| Sales or use tax credit | — | \$9,000 |

Worksheet VI, Part II would be computed as follows:

**Line 8A, column (e)** – Enter the amount from line 7. This is the amount of limitation based on the tax on LAMBRA business income.

**Line 8A, column (f)** – Enter the amount of credit that is used on Schedule P (100, 100W, 540, 540NR, or 541), column (b). The amount cannot be greater than the amount on line 8A, column (e) or the amount computed on line 8B, column (d). Enter this amount on form FTB 3807, Side 1, line 2a.

**Line 8B, column (b)** – Enter the amount of the current year credit that was computed on Worksheet I, Section A, line 6.

**Line 8B, column (c)** – Enter the amount of the total prior year carryover of the credit. This is the amount of credit that was previously figured on Worksheet I, Section A in the prior year, minus the amount that was allowed to be taken on the prior year return.

**Line 8B, column (d)** – Add the amount of the current year credit on line 8B, column (b) and the amount of the total prior year carryover on line 8B, column (c).

**Line 8B, column (e)** – Compare the amounts on line 8A, column (e) and line 8A, column (f). Enter the smaller amount.

**Line 8B, column (g)** – Subtract the amount on line 8B, column (e) from the amount on line 8B, column (d). Enter the result on line 8B, column (g). This is the amount of credit that can be carried over to future years.

**Note:** This carryover includes both the Schedule P (100, 100W, 540, 540NR, or 541) limitation and the limitation based on LAMBRA business income.

**Line 9A, column (e)** – Subtract the amount on line 8B, column (e) from the amount on line 8A, column (e). If the result is zero, your remaining credits are limited and must be carried over to future years. In this case, enter the amount from line 9B, column (d) on line 9B, column (g).

**Line 9A, column (f)** – Enter the amount of credit that is used on Schedule P (100, 100W, 540, 540NR, or 541), column (b). The amount cannot be greater than the amount on line 9A, column (e) or the amount computed on line 9B, column (d). Enter this amount on form FTB 3807, Side 1, line 2b.

**Line 9B, column (b)** – Enter the amount of the current year credit that was computed on Worksheet II, Section A, line 2, column (c).

**Line 9B, column (c)** – Enter the amount of the total prior year carryover of the credit. This is the amount of credit that was previously figured on Worksheet II, Section A minus the amount that was allowed to be taken on the prior year return.

**Line 9B, column (d)** – Add the amount of the current year credit on line 9B, column (b) and the amount of the total prior year carryover on line 9B, column (c).

**Line 9B, column (e)** – Compare the amounts on line 9A, column (e) and line 9A, column (f). Enter the smaller amount.

**Line 9B, column (g)** – Subtract the amount on line 9B, column (e) from the amount on line 9B, column (d). Enter the result on line 9B, column (g). This is the amount of credit that can be carried over to future years.

**Note:** This carryover includes both the Schedule P (100, 100W, 540, 540NR, or 541) limitation and the limitation based on LAMBRA business income.

## Part II Limitation of Credits for Corporations, Individuals, and Estates and Trusts.

|          | (a)<br>Credit<br>name      | (b)<br>Credit<br>amount | (c)<br>Total<br>prior year<br>carryover | (d)<br>Total credit<br>(add col. (b)<br>and col. (c)) | (e)<br>Limitation<br>based on LAMBRA<br>business income | (f)<br>Used on Schedule P<br>(can never be greater<br>than col. (d) or col. (e)) | (g)<br>Carryover<br>(col. (d) minus<br>col. (e)) |
|----------|----------------------------|-------------------------|---|---|---|--|--|
| <b>8</b> | Hiring credit              | A                       |   |   | 7,000   | 800  |  |
|          |                            | B                       | 500                                     | —0—   | 500   |  | —0—  |
| <b>9</b> | Sales or use<br>tax credit | A                       |   |   | 6,500   | 6,500  |  |
|          |                            | B                       | 9,000                                   | —0—   | 9,000   |  | 2,500  |

### Part III

Use Part III on Side 2 of form FTB 3807 only if you are an S corporation.

**Line 10 and Line 11, column (b)** – Enter the amount of current year credits (that were computed on Worksheet I and Worksheet II) in column (b) for line 10 and line 11, as applicable. Also enter this amount on Form 100S:

- Schedule C, line 4; and
- Schedule K, line 13.

You must adjust your Schedule C (100S) to reflect the LAMBRA tax limitation (Part I, line 7) to your credits after completing this worksheet.

**Line 10 and Line 11, column (c)** – Multiply the amount on line 10, column (b) and line 11, column (b) each by 1/3. Enter the result in column (c). The amounts in column (c) are the maximum amounts of the current year credits that may be used by the S corporation to offset its 1.5% entity-level tax (3.5% for financial S corporations).

**Line 10 and Line 11, column (d)** – Enter the amount of the total prior year credit carryover. This is the amount of credit that was previously figured on the prior year Worksheet I or Worksheet II, minus the amount that was allowed to be taken on the prior year return.

**Line 10 and Line 11, column (e)** – Add the amounts of the current year credits in column (c) and the total prior year carryovers in column (d).

**Line 10 and Line 11, column (f)** – Enter the amount of credit that was used by the S corporation in the current year to offset its 1.5% entity-level tax (3.5% for financial S corporations). Enter the amount in column (f) for line 10 and line 11 on form FTB 3807, Side 1, line 2a and line 2b, as applicable.

**Line 10 and Line 11, column (g)** – Subtract the amount in column (f) for each line from the amounts in column (e). These are the amounts of credits that can be carried over to future years and used by the S corporation.

### Part IV

Use Part IV on side 2 of form FTB 3807 if you are a corporation or S corporation subject to paying only the minimum franchise tax.

**Line 12 and Line 13, column (b)** – Enter the amount of current year credits (that were computed on Worksheet I and Worksheet II) on line 12, column (b) and line 13, column (b), as applicable. **S corporations** may only enter 1/3 of the amounts from Worksheet I and Worksheet II.

**Line 12 and Line 13, column (c)** – Enter the amount of the total prior year carryover. These are the amounts of credits that were previously figured on Worksheet I and Worksheet II in the prior years, minus the amount that was allowed to be taken on the prior year return. **S corporations** may only enter 1/3 of the amounts from Worksheet I and Worksheet II.

**Line 12 and Line 13, column (d)** – Add the amounts in column (b) and column (c) for line 12 and line 13. These are the amounts of credits that can be carried over to future years.

## Instructions for Form FTB 3807

### Part I — Net Increase in Jobs

Complete the Net Jobs Worksheet on pages 21 and 22 only if you have been doing business in a LAMBRA for 2 years. Enter the results on form FTB 3807, Part I, line 1.

A taxpayer that conducts a trade or business within a LAMBRA and that for the first two taxable years, has a net increase in jobs (defined as 2,000 paid hours per employee per year) of one or more employees in the LAMBRA, may claim certain economic incentives.

The net increase in jobs is determined by subtracting the total number of full-time employees in California prior to starting business in the LAMBRA, from the number of full-time employees in California in the second year after operation in the LAMBRA. For this purpose, the number of full-time employees for each year is determined as:

- The total number of hours worked in California by hourly employees (not to exceed 2,000 hours per employee) divided by 2,000; and
- The total number of months worked in California by salaried employees divided by 12.

If your only business in California began with your LAMBRA business, your number of California employees prior to starting business in the LAMBRA is zero.

If your business in California began during the taxable year, the first year employment information is prorated. Multiply the divisors 2,000 (hours for hourly employees) and 12 (months for salaried employees) by a fraction, the numerator is the number of months of doing business and the denominator is 12.

If your business has a net increase in jobs for the first two taxable years after commencing business operations in the LAMBRA, you must also employ one or more full-time employees within the LAMBRA in each of these years.

For this purpose, the number of full-time employees for each year is determined as:

- The total number of hours worked in the LAMBRA by hourly employees (not to exceed 2,000 hours per employee) divided by 2,000; and
- The total number of months worked in the LAMBRA by salaried employees divided by 12.

If your business in the LAMBRA began during the taxable year, the first year employment information is prorated. Multiply the divisors 2,000 (hours for hourly employees) and 12 (months for salaried employees) by a fraction, the numerator is the number of months of doing business and the denominator is 12.

**Important!** If your business does not have a net increase in jobs for the two taxable years after commencing business operations in the LAMBRA and employ one or more full-time employees within the LAMBRA in each of the first two years, you must recapture (in the current year) any LAMBRA credits or deductions that were previously taken.

## Net Jobs Worksheet

|  | (a)<br>Taxable year<br>prior to operating in<br>the LAMBRA | (b)<br>2nd taxable year<br>after starting operations<br>in the LAMBRA |
|--|--|---|
| 1 Enter the total number of hours within California worked by hourly employees during the taxable year in column (a) and column (b). The total hours per employee cannot exceed 2,000. If your only business in California began with your LAMBRA business, enter zero in column (a) of line 1 | _____  | _____   |
| 2 Divide line 1 of each column by 2,000  | _____  | _____   |
| 3 Enter the total number of months within California worked by salaried employees. The total months per salaried employee cannot exceed 12   | _____  | _____   |
| 4 Divide line 3 of each column by 12   | _____  | _____   |
| 5 Add line 2 and line 4 of each column   | _____  | _____   |
| 6 Subtract line 5, column (a) from line 5, column (b)  | _____  | _____   |

Enter the amount on form FTB 3807, Part I, line 1a.

**Note:** If the amount on line 6 is equal to or greater than one, then continue to line 7. If the amount on line 6 is less than one, your business does not qualify for the LAMBRA tax incentives and you must recapture (in the current year) any LAMBRA credits or deductions that were previously taken.

|   | (a)<br>1st taxable year<br>after starting operations<br>in the LAMBRA | (b)<br>2nd taxable year<br>after starting operations<br>in the LAMBRA |
|---|---|---|
| 7 Enter the total number of hours worked within the LAMBRA by hourly employees during the taxable year in column (a) and column (b). The total hours per employee cannot exceed 2,000 | _____   | _____   |
| 8 Divide line 7 of each column by 2,000   | _____   | _____   |
| 9 Enter the total number of months worked within the LAMBRA by salaried employees. The total months per salaried employee cannot exceed 12  | _____   | _____   |
| 10 Divide line 9 of each column by 12   | _____   | _____   |
| 11 Add line 8 and line 10 of each column  | _____   | _____   |

Enter the amount from line 11, column (a) on form FTB 3807, Part I, line 1b. Enter the amount from line 11, column (b) on form FTB 3807, Part I, line 1c.

**Note:** If the amount on line 11, column (a) or line 11, column (b) is equal to or greater than one, your business qualifies for the LAMBRA tax incentives. If the amount on line 11, column (a) or line 11, column (b) is less than one, your business **does not** qualify for the LAMBRA tax incentives and you **must** recapture (in the current year) any LAMBRA credits or deductions that were previously taken.

### Net Jobs Worksheet – Example:

A Corporation employs four individuals prior to establishing operations in the LAMBRA on January 1, 1998. The following is the employment information for the employees for the taxable year prior to operating in the LAMBRA:

- Employee #1: Salaried, employed for 12 months.
- Employee #2: Hourly, full-time; worked 2,080 hours per year.
- Employee #3: Hourly, part-time; worked 1,500 hours per year.
- Employee #4: Hourly, part-time, worked 1,500 hours per year.

The corporation moves its entire operations within the LAMBRA on January 1, 1998. At the end of the first year of operation within the LAMBRA, the corporation employed the following individuals:

- Employee #1: Salaried, employed for 24 months.
- Employee #2: Hourly, full-time; worked 2,080 hours during the year.
- Employee #3: Hourly, part-time; worked 2,000 hours during the year.
- Employee #4: Hourly, part-time, worked 1,600 hours during the year.
- Employee #5: Hourly, part-time, worked 1,600 hours during the year.

At the end of the 2nd year of operation in the LAMBRA, the corporation employed the following individuals:

- Employee #1: Salaried, employed for 36 months.
- Employee #2: Hourly, full-time; worked 2,080 hours during the year.
- Employee #3: Hourly, part-time; worked 2,000 hours during the year.
- Employee #4: Hourly, part-time, worked 1,700 hours during the year.
- Employee #5: Hourly, part-time, worked 1,900 hours during the year.

## Net Jobs Worksheet – Example (continued)

The worksheet would be completed as follows:

|  | (a)<br>Taxable year prior<br>to operating<br>in the LAMBRA | (b)<br>2nd taxable year<br>after starting operations<br>in the LAMBRA |
|--|--|---|
| 1 Enter the total number of hours worked within the California by hourly employees during the taxable year in column (a) and column (b). The total hours per employee cannot exceed 2,000. If your only business in California began with your LAMBRA business, enter zero in column (a) of line 1 | 5,000 a  | 7,600 b   |
| 2 Divide line 1 of each column by 2,000  | 2.5  | 3.8   |
| 3 Enter the total number of months worked within California by salaried employees. The total months per salaried employee cannot exceed 12   | 12 d   | 12 d  |
| 4 Divide line 3 of each column by 12   | 1  | 1   |
| 5 Add line 2 and line 4 of each column   | 3.5  | 4.8   |
| 6 Subtract line 5, column (a) from line 5, column (b)  | 1.3  |   |

Enter the amount on form FTB 3807, Part I, line 1a.

**Note:** If the amount on line 6 is equal to or greater than one, then continue to line 7. If the amount on line 6 is less than one, your business **does not** qualify for the LAMBRA tax incentives and you **must** recapture (in the current year) any LAMBRA credits or deductions that were previously taken.

|   | (a)<br>1st taxable year after<br>starting operations<br>in the LAMBRA | (b)<br>2nd taxable year<br>after starting operations<br>in the LAMBRA |
|---|---|---|
| 7 Enter the total number of hours worked within the LAMBRA by hourly employees during the taxable year in column (a) and column (b). The total hours per employee cannot exceed 2,000 | 7,200 c   | 7,600 b   |
| 8 Divide line 7 of each column by 2,000   | 3.6   | 3.8   |
| 9 Enter the total number of months worked within the LAMBRA by salaried employees. The total months per salaried employee cannot exceed 12  | 12 d  | 12 d  |
| 10 Divide line 9 of each column by 12   | 1   | 1   |
| 11 Add line 8 and line 10 of each column  | 4.6   | 4.8   |

Enter the amount from line 11, column (a) on form FTB 3807, Part I, line 1b. Enter the amount from line 11, column (b) on form FTB 3807, Part I, line 1c.

**Note:** If the amount on line 11, column 9(a) or line 11, column (b) is equal to or greater than one, your business qualifies for the LAMBRA tax incentives. If the amount on line 11, column 9(a) or line 11, column (b) is less than one, your business **does not** qualify for the LAMBRA tax incentives and you **must** recapture (in the current year) any LAMBRA credits or deductions that were previously taken.

|   |             |       |   |             |       |   |             |       |
|---|-------------|-------|---|-------------|-------|---|-------------|-------|
| a | Employee #2 | 2,000 | b | Employee #2 | 2,000 | c | Employee #2 | 2,000 |
|   | Employee #3 | 1,500 |   | Employee #3 | 2,000 |   | Employee #3 | 2,000 |
|   | Employee #4 | 1,500 |   | Employee #4 | 1,700 |   | Employee #4 | 1,600 |
|   |             | 5,000 |   | Employee #5 | 1,900 |   | Employee #5 | 1,600 |
|   |             |       |   |             | 7,600 |   |             | 7,200 |

d  
Employee #1

**FTB 3807****Codes for Principal Business Activity**

This list of principal business activities and their associated codes is designed to classify a business by the type of activity in which it is engaged to facilitate the administration of the California Revenue and Taxation Code. For taxable years beginning on or after January 1, 1998, these principal business activity codes are based on the North American Industry Classification System published by the United States Office of Management and Budget, 1997 Edition.

**Agriculture, Forestry, Fishing and Hunting***Code***Crop Production**

- 111100 Oilseed & Grain Farming
- 111210 Vegetable & Melon Farming (including potatoes & yams)
- 111300 Fruit & Tree Nut Farming
- 111400 Greenhouse, Nursery, & Floriculture Production
- 111900 Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet, & all other crop farming)

**Animal Production**

- 112111 Beef Cattle Ranching & Farming
- 112112 Cattle Feedlots
- 112120 Dairy Cattle & Milk Production
- 112210 Hog & Pig Farming
- 112300 Poultry & Egg Production
- 112400 Sheep & Goat Farming
- 112510 Animal Aquaculture (including shellfish & finfish farms & hatcheries)
- 112900 Other Animal Production

**Forestry and Logging**

- 113110 Timber Tract Operations
- 113210 Forest Nurseries & Gathering of Forest Products
- 113310 Logging

**Fishing, Hunting and Trapping**

- 114110 Fishing
- 114210 Hunting & Trapping

**Support Activities for Agriculture and Forestry**

- 115110 Support Activities for Crop Production (including cotton ginning, soil preparation, planting, & cultivating)
- 115210 Support Activities for Animal Production
- 115310 Support Activities for Forestry

**Mining**

- 211110 Oil & Gas Extraction
- 212110 Coal Mining
- 212200 Metal Ore Mining
- 212310 Stone Mining & Quarrying
- 212320 Sand, Gravel, Clay, & Ceramic & Refractory

**Minerals Mining & Quarrying**

- 212390 Other Nonmetallic Mineral Mining & Quarrying
- 213110 Support Activities for Mining

**Utilities**

- 221100 Electric Power Generation, Transmission, & Distribution
- 221210 Natural Gas Distribution
- 221300 Water, Sewage, & Other Systems

**Construction***Code***Building, Developing, and General Contracting**

- 233110 Land Subdivision & Land Development
- 233200 Residential Building Construction
- 233300 Nonresidential Building Construction

**Heavy Construction**

- 234100 Highway, Street, Bridge, & Tunnel Construction
- 234900 Other Heavy Construction

**Special Trade Contractors**

- 235110 Plumbing, Heating, & Air-Conditioning Contractors
- 235210 Painting & Wall Covering Contractors
- 235310 Electrical Contractors
- 235400 Masonry, Drywall, Insulation, & Tile Contractors
- 235500 Carpentry & Floor Contractors
- 235610 Roofing, Siding, & Sheet Metal Contractors
- 235710 Concrete Contractors
- 235810 Water Well Drilling Contractors
- 235900 Other Special Trade Contractors

**Manufacturing****Food Manufacturing**

- 311110 Animal Food Mfg
- 311200 Grain & Oilseed Milling
- 311300 Sugar & Confectionery Product Mfg
- 311400 Fruit & Vegetable Preserving & Specialty Food Mfg
- 311500 Dairy Product Mfg
- 311610 Animal Slaughtering and Processing
- 311710 Seafood Product Preparation & Packaging
- 311800 Bakeries & Tortilla Mfg
- 311900 Other Food Mfg (including coffee, tea, flavorings, & seasonings)

**Beverage and Tobacco Product Manufacturing**

- 312110 Soft Drink & Ice Mfg
- 312120 Breweries
- 312130 Wineries
- 312140 Distilleries
- 312200 Tobacco Manufacturing

**Textile Mills and Textile Product Mills**

- 313000 Textile Mills
- 314000 Textile Product Mills

**Apparel Manufacturing**

- 315100 Apparel Knitting Mills
- 315210 Cut & Sew Apparel Contractors
- 315220 Men's & Boys' Cut & Sew Apparel Mfg

*Code*

- 315230 Women's & Girls' Cut & Sew Apparel Mfg
- 315290 Other Cut & Sew Apparel Mfg
- 315990 Apparel Accessories & Other Apparel Mfg

**Leather and Allied Product Manufacturing**

- 316110 Leather & Hide Tanning & Finishing
- 316210 Footwear Mfg (including rubber & plastics)
- 316990 Other Leather & Allied Product Mfg

**Wood Product Manufacturing**

- 321110 Sawmills & Wood Preservation
- 321210 Veneer, Plywood, & Engineered Wood Product Mfg
- 321900 Other Wood Product Mfg

**Paper Manufacturing**

- 322100 Pulp, Paper, & Paperboard Mills
- 322200 Converted Paper Product Mfg

**Printing and Related Support Activities**

- 323100 Printing & Related Support Activities

**Petroleum and Coal Products Manufacturing**

- 324110 Petroleum Refineries (including integrated)
- 324120 Asphalt Paving, Roofing, & Saturated Materials Mfg
- 324190 Other Petroleum & Coal Products Mfg

**Chemical Manufacturing**

- 325100 Basic Chemical Mfg
- 325200 Resin, Synthetic Rubber, & Artificial & Synthetic Fibers & Filaments Mfg
- 325300 Pesticide, Fertilizer, & Other Agricultural Chemical Mfg
- 325410 Pharmaceutical & Medicine Mfg
- 325500 Paint, Coating, & Adhesive Mfg
- 325600 Soap, Cleaning Compound, & Toilet Preparation Mfg
- 325900 Other Chemical Product & Preparation Mfg

**Plastics and Rubber Products Manufacturing**

- 326100 Plastics Product Mfg
- 326200 Rubber Product Mfg

**Nonmetallic Mineral Product Manufacturing**

- 327100 Clay Product & Refractory Mfg
- 327210 Glass & Glass Product Mfg
- 327300 Cement & Concrete Product Mfg
- 327400 Lime & Gypsum Product Mfg
- 327900 Other Nonmetallic Mineral Product Mfg

**Primary Metal Manufacturing**

- 331110 Iron & Steel Mills & Ferroalloy Mfg
- 331200 Steel Product Mfg from Purchased Steel
- 331310 Alumina & Aluminum Production & Processing
- 331400 Nonferrous Metal (except Aluminum) Production & Processing
- 331500 Foundries

**Fabricated Metal Product Manufacturing**

- 332110 Forging & Stamping
- 332210 Cutlery & Handtool Mfg
- 332300 Architectural & Structural Metals Mfg
- 332400 Boiler, Tank, & Shipping Container Mfg
- 332510 Hardware Mfg
- 332610 Spring & Wire Product Mfg
- 332700 Machine Shops; Turned Product; & Screw, Nut, & Bolt Mfg
- 332810 Coating, Engraving, Heat Treating, & Allied Activities

*Code*

- 332900 Other Fabricated Metal Product Mfg

**Machinery Manufacturing**

- 333100 Agriculture, Construction, & Mining Machinery Mfg
- 333200 Industrial Machinery Mfg
- 333310 Commercial & Service Industry Machinery Mfg
- 333410 Ventilation, Heating, Air-Conditioning, & Commercial Refrigeration Equipment Mfg
- 333510 Metalworking Machinery Mfg
- 333610 Engine, Turbine, & Power Transmission Equipment Mfg
- 333900 Other General Purpose Machinery Mfg

**Computer and Electronic Product Manufacturing**

- 334110 Computer & Peripheral Equipment Mfg
- 334200 Communications Equipment Mfg
- 334310 Audio & Video Equipment Mfg
- 334410 Semiconductor & Other Electronic Component Mfg
- 334500 Navigational, Measuring, Electromedical, & Control Instruments Mfg
- 334610 Manufacturing & Reproducing Magnetic & Optical Media

**Electrical Equipment, Appliance, and Component Manufacturing**

- 335100 Electric Lighting Equipment Mfg
- 335200 Household Appliance Mfg
- 335310 Electrical Equipment Mfg
- 335900 Other Electrical Equipment & Component Mfg

**Transportation Equipment Manufacturing**

- 336100 Motor Vehicle Mfg
- 336210 Motor Vehicle Body & Trailer Mfg
- 336300 Motor Vehicle Parts Mfg
- 336410 Aerospace Product & Parts Mfg
- 336510 Railroad Rolling Stock Mfg
- 336610 Ship & Boat Building
- 336990 Other Transportation Equipment Mfg

**Furniture and Related Product Manufacturing**

- 337000 Furniture & Related Product Manufacturing

**Miscellaneous Manufacturing**

- 339110 Medical Equipment & Supplies Mfg
- 339900 Other Miscellaneous Manufacturing

**Wholesale Trade****Wholesale Trade, Durable Goods**

- 421100 Motor Vehicle & Motor Vehicle Parts & Supplies Wholesalers
- 421200 Furniture & Home Furnishing Wholesalers
- 421300 Lumber & Other Construction Materials Wholesalers
- 421400 Professional & Commercial Equipment & Supplies Wholesalers
- 421500 Metal & Mineral (except Petroleum) Wholesalers
- 421600 Electrical Goods Wholesalers
- 421700 Hardware, & Plumbing & Heating Equipment & Supplies Wholesalers
- 421800 Machinery, Equipment, & Supplies Wholesalers
- 421910 Sporting & Recreational Goods & Supplies Wholesalers
- 421920 Toy & Hobby Goods & Supplies Wholesalers
- 421930 Recyclable Material Wholesalers
- 421940 Jewelry, Watch, Precious Stone, & Precious Metal Wholesalers
- 421990 Other Miscellaneous Durable Goods Wholesalers

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|   |  |  |   |
|---|--|--|---|
| <p><b>Code</b></p> <p>541360 Geophysical Surveying &amp; Mapping Services</p> <p>541370 Surveying &amp; Mapping (except Geophysical) Services</p> <p>541380 Testing Laboratories</p> <p><b>Specialized Design Services</b></p> <p>541400 Specialized Design Services (including interior, industrial, graphic, &amp; fashion design)</p> <p><b>Computer Systems Design and Related Services</b></p> <p>541511 Custom Computer Programming Services</p> <p>541512 Computer Systems Design Services</p> <p>541513 Computer Facilities Management Services</p> <p>541519 Other Computer Related Services</p> <p><b>Other Professional, Scientific, and Technical Services</b></p> <p>541600 Management, Scientific, &amp; Technical Consulting Services</p> <p>541700 Scientific Research &amp; Development Services</p> <p>541800 Advertising &amp; Related Services</p> <p>541910 Marketing Research &amp; Public Opinion Polling</p> <p>541920 Photographic Services</p> <p>541930 Translation &amp; Interpretation Services</p> <p>541940 Veterinary Services</p> <p>541990 All Other Professional, Scientific, &amp; Technical Services</p> | <p><b>Code</b></p> <p>561500 Travel Arrangement &amp; Reservation Services</p> <p>561600 Investigation &amp; Security Services</p> <p>561710 Exterminating &amp; Pest Control Services</p> <p>561720 Janitorial Services</p> <p>561730 Landscaping Services</p> <p>561740 Carpet &amp; Upholstery Cleaning Services</p> <p>561790 Other Services to Buildings &amp; Dwellings</p> <p>561900 Other Support Services (including packaging &amp; labeling services, &amp; convention &amp; trade show organizers)</p> <p><b>Waste Management and Remediation Services</b></p> <p>562000 Waste Management &amp; Remediation Services</p> <p><b>Educational Services</b></p> <p>611000 Educational Services (including schools, colleges, &amp; universities)</p> <p><b>Health Care and Social Assistance</b></p> <p><b>Offices of Physicians and Dentists</b></p> <p>621111 Offices of Physicians (except mental health specialists)</p> <p>621112 Offices of Physicians, Mental Health Specialists</p> <p>621210 Offices of Dentists</p> <p><b>Offices of Other Health Practitioners</b></p> <p>621310 Offices of Chiropractors</p> <p>621320 Offices of Optometrists</p> <p>621330 Offices of Mental Health Practitioners (except Physicians)</p> <p>621340 Offices of Physical, Occupational &amp; Speech Therapists, &amp; Audiologists</p> <p>621391 Offices of Podiatrists</p> <p>621399 Offices of All Other Miscellaneous Health Practitioners</p> <p><b>Outpatient Care Centers</b></p> <p>621410 Family Planning Centers</p> <p>621420 Outpatient Mental Health &amp; Substance Abuse Centers</p> <p>621491 HMO Medical Centers</p> <p>621492 Kidney Dialysis Centers</p> <p>621493 Freestanding Ambulatory Surgical &amp; Emergency Centers</p> <p>621498 All Other Outpatient Care Centers</p> <p><b>Medical and Diagnostic Laboratories</b></p> <p>621510 Medical &amp; Diagnostic Laboratories</p> <p><b>Home Health Care Services</b></p> <p>621610 Home Health Care Services</p> | <p><b>Code</b></p> <p><b>Other Ambulatory Health Care Services</b></p> <p>621900 Other Ambulatory Health Care Services (including ambulance services &amp; blood &amp; organ banks)</p> <p><b>Hospitals</b></p> <p>622000 Hospitals</p> <p><b>Nursing and Residential Care Facilities</b></p> <p>623000 Nursing &amp; Residential Care Facilities</p> <p><b>Social Assistance</b></p> <p>624100 Individual &amp; Family Services</p> <p>624200 Community Food &amp; Housing, &amp; Emergency &amp; Other Relief Services</p> <p>624310 Vocational Rehabilitation Services</p> <p>624410 Child Day Care Services</p> <p><b>Arts, Entertainment, and Recreation</b></p> <p><b>Performing Arts, Spectator Sports, and Related Industries</b></p> <p>711100 Performing Arts Companies</p> <p>711210 Spectator Sports (including sports clubs &amp; racetracks)</p> <p>711300 Promoters of Performing Arts, Sports, &amp; Similar Events</p> <p>711410 Agents &amp; Managers for Artists, Athletes, Entertainers, &amp; Other Public Figures</p> <p>711510 Independent Artists, Writers, &amp; Performers</p> <p><b>Museums, Historical Sites, and Similar Institutions</b></p> <p>712100 Museums, Historical Sites, &amp; Similar Institutions</p> <p><b>Amusement, Gambling, and Recreation Industries</b></p> <p>713100 Amusement Parks &amp; Arcades</p> <p>713200 Gambling Industries</p> <p>713900 Other Amusement &amp; Recreation Industries (including golf courses, skiing facilities, marinas, fitness centers, &amp; bowling centers)</p> | <p><b>Code</b></p> <p><b>Food Services and Drinking Places</b></p> <p>722110 Full-Service Restaurants</p> <p>722210 Limited-Service Eating Places</p> <p>722300 Special Food Services (including food service contractors &amp; caterers)</p> <p>722410 Drinking Places (Alcoholic Beverages)</p> <p><b>Other Services</b></p> <p><b>Repair and Maintenance</b></p> <p>811110 Automotive Mechanical &amp; Electrical Repair &amp; Maintenance</p> <p>811120 Automotive Body, Paint, Interior, &amp; Glass Repair</p> <p>811190 Other Automotive Repair &amp; Maintenance (including oil change &amp; lubrication shops &amp; car washes)</p> <p>811210 Electronic &amp; Precision Equipment Repair &amp; Maintenance</p> <p>811310 Commercial &amp; Industrial Machinery &amp; Equipment (except Automotive &amp; Electronic) Repair &amp; Maintenance</p> <p>811410 Home &amp; Garden Equipment &amp; Appliance Repair &amp; Maintenance</p> <p>811420 Reupholstery &amp; Furniture Repair</p> <p>811430 Footwear &amp; Leather Goods Repair</p> <p>811490 Other Personal &amp; Household Goods Repair &amp; Maintenance</p> <p><b>Personal and Laundry Services</b></p> <p>812111 Barber Shops</p> <p>812112 Beauty Salons</p> <p>812113 Nail Salons</p> <p>812190 Other Personal Care Services (including diet &amp; weight reducing centers)</p> <p>812210 Funeral Homes &amp; Funeral Services</p> <p>812220 Cemeteries &amp; Crematories</p> <p>812310 Coin-Operated Laundries &amp; Drycleaners</p> <p>812320 Drycleaning &amp; Laundry Services (except Coin-Operated)</p> <p>812330 Linen &amp; Uniform Supply</p> <p>812910 Pet Care (except Veterinary) Services</p> <p>812920 Photofinishing</p> <p>812930 Parking Lots &amp; Garages</p> <p>812990 All Other Personal Services</p> <p><b>Religious, Grantmaking, Civic, Professional, and Similar Organizations</b></p> <p>813000 Religious, Grantmaking, Civic, Professional, &amp; Similar Organizations</p> |
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**[www.ftb.ca.gov](http://www.ftb.ca.gov)**

2000

# Local Agency Military Base Recovery Area Deduction and Credit Summary

3807

Attach to your California tax return.

☐ Social security ☐ corporation number ☐ FEIN

Name(s) as shown on return

Secretary of State file number

**A. Check the appropriate box for your entity type:**

- ☐ Individual    ☐ Estate    ☐ Trust    ☐ C corporation    ☐ S corporation    ☐ Partnership  
☐ Exempt organization    ☐ Limited liability company    ☐ Limited liability partnership

**B. Enter the name of the Local Agency Military Base Recovery Area (LAMBRA) business:****C. Enter the address (actual location) where the LAMBRA business is conducted:****D. Enter the name of the LAMBRA in which the business and/or investment activity is located. See General Information D, LAMBRA Designation.****E. Principal Business Activity Code number of the LAMBRA business**

Enter the six-digit number from the Codes for Principal Business Activity (pages 23 through 25).

**F. Total number of employees in the LAMBRA****G. Number of employees included in the computation of the hiring credit, if claimed****H. Number of new employees included in the computation of the hiring credit, if claimed****I. Gross annual receipts of the business****J. Total asset value of the business****Part I Net Increase in Jobs****Note:** Complete Part I only if you have been doing business in a LAMBRA for two years.**1a** Net increase in jobs within California **1a****1b** Full-time employees within the LAMBRA during the 1st taxable year **1b****1c** Full-time employees within the LAMBRA during the 2nd taxable year **1c****Part II Credits Used****2** Hiring and sales or use tax credits claimed on the current year return:**a** Hiring credit from Worksheet VI, line 8A, column (f) or line 10, column (f)**b** Sales or use tax credit from Worksheet VI, line 9A, column (f) or line 11, column (f)Add line 2a and line 2b **2****Note:** To figure the amount of credits to carry over, complete Worksheet VI on Side 2.**Part III Business Expense Deduction for Equipment Purchases****3** Enter the cost of qualified property purchased for the LAMBRA that is being deducted as a current year business expense from Worksheet III, Section A, line 4 **3**

**ELECTION:** The act of deducting a portion of the cost of any property as a current year expense rather than adding it to the capital account constitutes an election to treat that property in accordance with R&TC Section 17268 or 24356.8. That election may not be revoked except with the written consent of the Franchise Tax Board (FTB).

**Part IV Net Operating Loss (NOL) Carryover and Deduction****4a** Enter the NOL carryover from prior years from Worksheet V, Section C, line 13, column (b) **4a**

**4b** Enter the total NOL deduction used in the current year from Worksheet V, Section C, line 13, column (c).  
Enter this amount on Schedule CA (540 or 540NR), line 21e, column B; Form 100, line 20; Form 100W, line 20;  
Form 100S, line 19; or Form 109, line 3 or line 11 **4b**

**4c** Enter the NOL to carryover to future years from Worksheet V, Section C, line 13, column (e) **4c**

**ELECTION:** For those taxpayers eligible for an NOL carryover under R&TC Section 17276.2, 17276.4, 17276.5, 17276.6, 24416.2, 24416.4, 24416.5, or 24416.6, the act of claiming an NOL carryover on this form constitutes the **irrevocable** election to apply the loss under R&TC Section 17276.5 or 24416.5, for qualified businesses with a LAMBRA. If you elect to carry over an NOL under any of these provisions, you are prohibited by law from carrying over any other type of NOL from this year.

**Part V Portion of Business Attributable to the LAMBRA**

**5** Enter the average apportionment percentage of your business that is in the LAMBRA from Worksheet IV, Section A, line 4.  
If your business is wholly within one LAMBRA, the average apportionment percentage is 100% (1.00) **5**

**Part VI Recapture of Deduction and Credits****6** Recapture of hiring credit from Worksheet I, Section B, line 2 **6****7** Recapture of sales or use tax credit from Worksheet II, Section B, line 2 **7****8** Recapture of business expense deduction from Worksheet III, Section B, line 2 **8**

**Worksheet VI Computation of Credit Limitations — LAMBRA****Part I Computation of Credit Limitations.** See instructions.

|           |   |           |  |
|-----------|---|-----------|--|
| <b>1</b>  | Trade or business income. <b>Individuals:</b> Enter the amount from the Income or Loss Worksheet, line 14, column (c) (page 15) on this line and on line 3 (skip line 2). See instructions on page 18. <b>Note:</b> Corporations which file a combined report, enter the taxpayer's business income assigned to California (see instructions for Part IV) . . . . . | <b>1</b>  |  |
| <b>2</b>  | <b>Corporations:</b> Enter the average apportionment percentage from Worksheet IV, Section A, line 4. See instructions . . .  | <b>2</b>  |  |
| <b>3</b>  | Multiply line 1 by line 2 . . . . .   | <b>3</b>  |  |
| <b>4</b>  | Enter the LAMBRA NOL deduction from Worksheet V, Section C, line 13, column (c) . . . . .   | <b>4</b>  |  |
| <b>5</b>  | LAMBRA taxable income. Subtract line 4 from line 3 . . . . .  | <b>5</b>  |  |
| <b>6a</b> | Compute the amount of tax due using the amount on line 5. See instructions . . . . .  | <b>6a</b> |  |
| <b>6b</b> | Enter the amount of tax from Form 540, line 24; Form 540NR, line 27;<br>Form 541, line 21; Form 100, line 23; Form 100W, line 23; Form 100S, line 22;<br>or Form 109, line 7 or line 15. Corporations, combined groups, and S corporations,<br>see instructions . . . . .   | <b>6b</b> |  |
| <b>7</b>  | Enter the smaller of line 6a or line 6b. This is the limitation based on LAMBRA business income.<br>Go to Part II, Part III, or Part IV and see the applicable instructions . . . . .   | <b>7</b>  |  |

**Part II Limitation of Credits for Corporations, Individuals, and Estates and Trusts.** See instructions.

| (a)<br>Credit name               |   | (b)<br>Credit amount | (c)<br>Total prior year carryover | (d)<br>Total credit (add col. (b) and col. (c)) | (e)<br>Limitation based on LAMBRA business income | (f)<br>Used on Schedule P (can never be greater than col. (d) or col. (e)) | (g)<br>Carryover (col. (d) minus col. (e)) |
|----------------------------------|---|----------------------|-----------------------------------|---|---|--|--|
| <b>8</b> Hiring credit           | A |                      |                                   |   |   |  |  |
|                                  | B |                      |                                   |   |   |  |  |
| <b>9</b> Sales or use tax credit | A |                      |                                   |   |   |  |  |
|                                  | B |                      |                                   |   |   |  |  |

**Part III Limitation of Credits for S Corporations Only.** See instructions.

| (a)<br>Credit name                | (b)<br>Credit amount | (c)<br>S corporation credit (multiply col. (b) by 1/3) | (d)<br>Total prior year carryover | (e)<br>Total credit (add col. (c) and col. (d)) | (f)<br>Credit used this year by S corporation | (g)<br>Carryover (col. (e) minus col. (f)) |
|-----------------------------------|----------------------|--|-----------------------------------|---|---|--|
| <b>10</b> Hiring credit           |                      |  |                                   |   |   |  |
| <b>11</b> Sales or use tax credit |                      |  |                                   |   |   |  |

**Part IV Limitation of Credits for Corporations and S Corporations Subject to Paying Only the Minimum Franchise Tax.** See instructions.

| (a)<br>Credit name                | (b)<br>Credit amount | (c)<br>Total prior year carryover | (d)<br>Total credit carryover (add col. (b) and col. (c)) |
|-----------------------------------|----------------------|-----------------------------------|---|
| <b>12</b> Hiring credit           |                      |                                   |   |
| <b>13</b> Sales or use tax credit |                      |                                   |   |

# How to Get California Tax Information

(Keep This Page For Future Use)

## Your Rights as a Taxpayer

Our goal at the Franchise Tax Board (FTB) is to make certain that your rights are protected so that you will have the highest confidence in the integrity, efficiency, and fairness of our state tax system. FTB Publication 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program, and how you can request written advice from the FTB on whether a particular transaction is taxable. See "Where to Get Tax Forms and Publications" on this page for how to get this publication.

## Where to Get Tax Forms and Publications

**By Internet** – You may download, view, and print California tax forms and publications. Go to our Website at: [www.ftb.ca.gov](http://www.ftb.ca.gov)

**By phone** – To order 1998, 1999, and 2000 California tax forms and publications and 2000 federal booklets, call our automated phone service. To order a form:

- Refer to the list in your tax booklet and find the code number for the form you want to order.
- Call (800) 338-0505 and follow the instructions.

Please allow two weeks to receive your order. If you live outside California, please allow three weeks to receive your order.

**In person** – Most libraries, post offices, and banks provide free California personal income tax booklets during the filing season. Many libraries and some quick print businesses have forms and schedules for you to photocopy. (A nominal fee may be required.) **Note:** Employees at libraries, post offices, banks, and quick print businesses cannot provide tax information or assistance.

**By mail** – Write to:

TAX FORMS REQUEST UNIT  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307

## Letters

You may write to us to get a written reply to your question or to reply to a notice we sent you. Be sure your letter includes your FEIN, Secretary of State number, California corporation number, or social security number, your daytime and evening telephone numbers, and a copy of the notice (if applicable). Send your letter to:

PROFESSIONAL RESOURCES AND  
EDUCATION SECTION MS F-228  
FRANCHISE TAX BOARD  
PO BOX 1468  
SACRAMENTO CA 95812-1468

We will respond to your letter within six weeks. In some cases, we may need to call you for additional information. Do not attach correspondence to your tax return unless the correspondence relates to an item on your return.

## General Toll-Free Phone Service

**Between January 2 – April 16, 2001**, our general toll-free phone service is available:

- Monday – Friday, 6 a.m. until midnight; and
- Saturdays and holidays, 7 a.m. until 4 p.m.

**After April 16, 2001**, our general toll-free phone service is available:

- Monday – Friday, 7 a.m. until 8 p.m.; and
- Saturdays, 7 a.m. until 4 p.m.

**Note:** We may modify these hours without notice to meet operational needs.

From within the  
United States . . . . . (800) 852-5711  
From outside the  
United States . . . . . (916) 845-6500  
(not toll-free)

### Assistance for persons with disabilities:

The FTB complies with the Americans with Disabilities Act. Persons with a hearing or speech impairment, call:

From voice phone . . . . . (800) 735-2922  
(California Relay Service)  
From TTY/TDD . . . . . (800) 822-6268  
(Direct line to FTB customer service)

For all other assistance or special accommodations, call (800) 852-5711.

### For federal tax questions:

Call the IRS at . . . . . (800) 829-1040

### Asistencia bilingüe en español

Para obtener servicios en español y asistencia para completar su declaración de impuestos/formularios, llame al número de teléfono (anotado arriba) que le corresponde.

## Geographic Boundaries

Further information about geographic boundaries of the TTA is available from:

ENTERPRISE ZONE PROGRAMS  
CA TRADE AND COMMERCE AGENCY  
801 K STREET SUITE 1700  
SACRAMENTO CA 95814

Telephone: (916) 324-8211  
FAX: (916) 322-7214  
Website: [www.commerce.ca.gov](http://www.commerce.ca.gov)

## Economic Development Area (Information Only)

Further information about the TTA tax incentives is available from:

FRANCHISE TAX BOARD  
Telephone: (916) 845-3464  
FAX: (916) 845-6791  
Website: [www.ftb.ca.gov](http://www.ftb.ca.gov)

## Field Offices

You can get information, California tax forms, and resolve problems on your account if you visit one of our field offices. Our field office hours are Monday through Friday, 8 a.m. until 5 p.m. These offices will remain open additional hours and days from January 16 through April 16, 2001. For the extended hours of the office nearest you, call (800) 338-0505, select personal income tax, then general information, and enter code 110 when instructed to do so.

| Field Office   | Address                           |
|----------------|-----------------------------------|
| Bakersfield    | 1800 30th St, Ste 370             |
| Fresno         | 2550 Mariposa St,<br>Rm 3002      |
| Long Beach     | 4300 Long Beach Blvd,<br>Ste 700B |
| Los Angeles    | 300 S Spring St, Ste 5704         |
| Oakland        | 1515 Clay St, Ste 305             |
| Sacramento     | 3321 Power Inn Road<br>Ste 250    |
| San Bernardino | 464 W 4th St, Ste 454             |
| San Diego      | 7575 Metropolitan Dr,<br>Ste 201  |
| San Francisco  | 455 Golden Gate Ave,<br>Ste 7400  |
| San Jose       | 96 N Third St, 4th Fl             |
| Santa Ana      | 600 W Santa Ana Blvd,<br>Ste 300  |
| Santa Rosa     | 50 D St, Rm 100                   |
| Stockton       | 31 East Channel St, Rm 219        |
| Van Nuys       | 15350 Sherman Way, Ste 100        |
| Ventura        | 4820 McGrath St, Ste 270          |
| West Covina    | 100 N Barranca St, Ste 600        |

### Out of State Field Offices

|             |  |
|-------------|--|
| Chicago     | 1 N. Franklin, Ste 400<br>Chicago, IL 60606-3401               |
| Houston     | 1415 Louisiana, Ste 1515<br>Houston, TX 77002-7351             |
| Long Island | 1325 Franklin Ave, Ste 560<br>Garden City, NY 11530-1631       |
| Manhattan   | 1212 Ave of the Americas,<br>4th Fl<br>New York, NY 10036-1601 |

# **Automated Toll-Free Phone Service** **(Keep This Page For Future Use)**

Call our automated toll-free phone service to:

- Order California tax forms and publications and federal booklets;
- Get current year tax refund information;
- Get balance due and payment information; and
- Hear recorded answers to many of your questions about California taxes.

Our automated phone service is available in English and Spanish to callers with touch-tone telephones. Have paper and pencil ready to take notes.

Call from within the  
United States ..... (800) 338-0505  
Call from outside the  
United States (not toll-free) ... (916) 845-6600

## **Current Year Personal Income Tax Refund Information**

You should wait at least eight weeks after you file your tax return before you call to find out about your refund. You will need your social security number, the numbers in your street address, box number, or route number, and your ZIP Code to use this service. Refund status information is available 24 hours a day, 7 days a week. Call our automated phone service, select personal income tax information, then refund information, and follow the recorded instructions.

## **Personal Income Tax Balance Due and Payment Information**

You should wait at least 45 days from the date you mailed your payment before you call to verify receipt of your payment. You will need your social security number, the numbers in your street address, box number, or route number, and your ZIP Code to use this service. Balance due and payment information is available 24 hours a day, 7 days a week.

## **Order Forms**

See the instructions for ordering forms by phone on page 29. For personal income tax forms, this service is available 24 hours a day, 7 days a week. Business entity forms are available from 6 a.m. until 8 p.m., Monday through Friday.

## **Answers To Tax Questions**

Recorded answers to your tax questions are available 24 hours a day, 7 days a week. To receive answers to any of the following questions, call our automated phone service, select either personal income tax or business entity tax information, then general information, and enter the three-digit code when instructed to do so.

## **Personal Income Tax Information**

### **Code Filing Assistance**

- 100– Do I need to file a return?
- 110– Field office hours of availability, January 16 – April 16, 2001.
- 111– Which form should I use?
- 112– How do I file electronically and get a fast refund?
- 200– Where can I pick up a form today?
- 201– How can I get an extension to file?
- 202– There is no envelope in the booklet. Where do I send my return?
- 203– What is and how do I qualify for the nonrefundable renter's credit?
- 204– I never received a Form W-2. What do I do?
- 205– I have no withholding taken out. What do I do?
- 206– Do I have to attach a copy of my federal return?
- 207– Should I file my return even though I do not have the money to pay?
- 208– How do I figure my estimated tax payments?
- 209– I lived in California for part of the year. Do I have to file a return?
- 210– I do not live in California. Why do I have to file a return?
- 211– How do I figure my IRA deduction?
- 212– How do I claim my disaster related loss?

- 215– Who qualifies me to use the head of household filing status?
- 216– I'm due a refund. Do I still need to file a return?
- 217– I am currently/was in the military. Do I have to file a California return?
- 218– I'm in the military. Do I have to use the same filing status as federal?
- 219– I sold my personal residence. How do I report the sale to California?
- 220– There is no difference in my state and federal depreciation, business income, and capital gain income. What do I do?
- 221– What is community property?
- 222– How much can I deduct for vehicle license fees?
- 227– How do I get a refund of excess SDI?
- 239– Where can I get help with preparing and filing my income tax return?
- 240– Does a tax return have to be filed for a deceased taxpayer?
- Refunds**
- 300– My spouse has passed away. You sent a refund with both our names on it. What do I do?
- 301– I got a letter saying you sent my refund to another agency. Why?
- Penalties**
- 400– I have an extension of time to file my return. Why did I get a penalty?
- 401– I filed my return on time. Why did I get a penalty?
- 402– How can I protest a penalty?
- 403– What is the estimate penalty rate?
- Notices and Bills**
- 500– I received a bill and I cannot pay it in full. What do I do?
- 501– Why didn't you give me credit for my withholding?
- 502– You didn't give me credit for my dependent. What do I do?
- 504– I'm head of my house. Why was I denied head of household filing status?
- 505– Why was my IRA deduction denied?
- 506– How do I get information about my Form 1099-G?
- 508– I received a notice that didn't show all payments made. How do I get credit for them?

### **Tax For Children**

- 601– Can my child take a personal exemption credit when I claim her or him as a dependent on my return?
- 602– Federal law limits the standard deduction. Is the state law the same?

### **Miscellaneous**

- 610– Can I pay my taxes with a credit card?
- 611– What address do I send my payment to?
- 612– I mailed my return and haven't heard anything. Should I send a copy of my return?
- 613– I forgot to attach my Form(s) W-2 when I mailed my return. What do I do?
- 614– I forgot to attach a copy of my federal return. What do I do?
- 615– How do I get a copy of my state tax return?
- 616– What should I do if my federal tax return was examined and changed by the IRS?
- 617– What are the current interest rates?
- 619– How do I report a change of address?

## **Business Entity Tax Information**

### **Code Filing Assistance**

- 715– If my actual tax is less than the minimum franchise tax, what figure do I put on line 23 of Form 100 or line 23 of Form 100W?
- 717– What are the tax rates for corporations?
- 718– How do I get an extension of time to file?
- 722– When does my corporation have to file a short-period return?
- 734– Is my corporation subject to a franchise tax or income tax?

### **S Corporations**

- 704– Is an S corporation subject to the minimum franchise tax?
- 705– Are S corporations required to file estimated payments?
- 706– What forms do S corporations file?
- 707– The tax for my S corporation is less than the minimum franchise tax. What figure do I put on line 22 of Form 100S?
- 708– Where do S corporations make adjustments for state and federal law differences on Schedule K-1 (100S) and where do nonresident shareholders get their California source income from their Schedule K-1 (100S)?
- Exempt Organizations**
- 709– How do I get tax-exempt status?
- 710– Does an exempt organization have to file Form 199?
- 735– How can an exempt organization incorporate without paying corporation fees and costs?
- 736– I have exempt status. Do I need to file Form 100 or Form 109 in addition to Form 199?
- Minimum Tax and Estimate Tax**
- 712– What is the minimum franchise tax?
- 714– My corporation is not doing business; does it have to pay the minimum franchise tax?
- 716– When are my corporation's estimated payments due?
- Billings and Miscellaneous Notices**
- 723– I received a bill for \$250. What is this for?
- 728– Why was my corporation suspended?
- 729– Why is my subsidiary getting a request for a return when we filed a combined report?

### **Tax Clearance**

- 724– How do I dissolve my corporation?
- 725– What do I have to do to get a tax clearance?
- 726– How long will it take to get a tax clearance certificate?
- 727– My corporation was suspended/forfeited. Can I still get a tax clearance?
- Miscellaneous**
- 617– What are the current interest rates?
- 700– Who do I need to contact to start a business?
- 701– I need a state ID number for my business. Who do I contact?
- 702– Can you send me an employer's tax guide?
- 703– How do I incorporate?
- 719– How do I properly identify my corporation when dealing with the Franchise Tax Board?
- 720– How do I obtain information about changing my corporation's name?
- 721– How does my corporation change its accounting period?
- 737– Where do I send my payment?
- 738– What is electronic funds transfer?
- 739– How do I get a copy of my state corporation or partnership tax return?
- 740– What requirements do I have to report municipal bond interest paid by a state other than California?
- 750– How do I organize or register an LLC?
- 751– How do I cancel the registration of my LLC?
- 752– What tax forms do I use to file as an LLC?
- 753– When is the annual tax payment due?
- 754– What extension voucher do I use to pay the LLC fee and/or member tax?
- 755– Where does a LLC send its tax payments?
- 756– As an LLC I never did any business or even opened a door, bank account, or anything. Why do I owe the \$800 annual tax?
- 757– How are LLC fees calculated?
- 759– If I have nonresident members and cannot get all their signatures on the consent release form, can I still file the return?
- 758– I'm a corporation that has converted to an LLC during the current year. Am I liable for the tax as a corporation and an LLC in the same year?